

OFFICE OF INSPECTOR GENERAL  
INSPECTION REPORT

STUDY OF AGENCY BOARDS OF REVIEW  
OF THE  
DIRECTORATE OF ADMINISTRATION

JULY 1981

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STUDY OF AGENCY BOARDS OF REVIEW

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## Chapter 1

### INTRODUCTION

In March 1981 a team of inspectors was formed to study the policies and procedures of four boards of review whose deliberations directly affect Agency employees.

- The Headquarters Claims Review Board determines the amount of money which may be paid to an employee who suffered the loss of personal property incident to service.

- The Headquarters Survey Review Board determines the pecuniary liability of an employee responsible for the loss of or damage to Government property.

- The Board of Review (for Overages and Shortages) advises the Director of Finance on the disposition of cash overages and shortages, pecuniary liability if appropriate, procedural changes if applicable and revisions to regulations and handbooks when needed.

- The Overpayments Review Board determines whether an overpayment of salary or allowances to an employee can be waived or must be refunded.

The purpose of the study was to examine the boards' policies, authorities, composition and performance. Some senior managers expressed concern about the continued need for the boards and their effectiveness. Others were concerned about the frequency with which board decisions later were overturned when the employee filed a grievance with the Office of Inspector General. Most managers were determined to be fair to the employee within the bounds prescribed by their accountability as Government officials. Some however, expressed personal reservations as to just how far they should lean in giving the employees the benefit of the doubt.

During our study, we interviewed all incumbent and many former board members as well as many Agency officials who have a direct impact on board proceedings. We talked with employees directly affected by the board's conclusions. We consulted with officials

in the Departments of State and Defense to learn about their policies and procedures. Finally, we contacted representatives in the private sector to learn of their practices, particularly in the area of employee benefits and claims related to personal property. All with whom we made contact were extremely cooperative and helpful.

Topics of overall concern are discussed in the chapter on General Observations. Specific and detailed information on each of the boards is discussed in separate chapters.

This report offers as its only recommendation that the Deputy Director for Administration and the Director of Personnel give serious consideration to all of the suggestions made in this report.

Chapter 2

GENERAL OBSERVATIONS

Need for the Boards

We asked most people with whom we spoke if there still was need for boards. The answer was a resounding yes. We agree. The boards provide a control mechanism through which the application of laws and Agency regulations can be completed. When operating properly, they foster goodwill and maintain high morale by providing an understanding forum through which an employee can protect his interests. They provide a buffer between the immediate and personal concerns of an employee and what the employee might consider arbitrary and capricious decisions by a manager.

The key point in review board adjudication is that every employee, no matter the outcome of his case, should be completely satisfied that the process permitted an objective presentation of the facts and that the board's conclusions and recommendations follow logically from that presentation. Goodwill flows from accepted procedures uniformly and consistently applied. Conversely, ill will flows from the reality or perception of ill-defined procedures irregularly and inconsistently applied.

Agency regulations name those components which are to furnish review board membership and the secretariat.\* In general we find acceptable the constitution of the boards. Most people with whom we spoke also agree that the composition of the boards was appropriate. Some did suggest that at least one member of each board should have overseas experience. We agree.

\*Includes board chairman and full and part time assistants.

Most members serve on a board as an additional duty to their principal position and for no fixed term. This can result in a frequent rotation of board members. Individual case files are preserved by the boards and the minutes of Overpayments Review Board and Board of Review meetings are retained. But little else is available to assist the new board member or to refresh the old. Some senior managers believe inconsistency exists due to lack of continuity. These inconsistencies can be alleviated by having written procedures and policies.

#### Procedures and Policies

In addition to prescribing membership and dollar thresholds of approval, Agency regulations provide some general guidance as to the conduct of the boards. But specific guidance as to the processes through which the boards take action is unclear and limited. The boards, primarily through the secretariat, conduct either investigations or reviews. The Overpayments Review Board and Board of Review are advisory. Their final product is a recommendation to the Director of Finance. The chairman of the Claims Review Board and Survey Review Board is authorized to take final action on certain claims and to advise on others.

The boards operate informally under chairmen who can exercise considerable power. It is the chairman who presents the case to the board. It is the chairman who ensures that appropriate information is gathered. It is the chairman who provides most continuity to the board.

We have no quarrel with the exercise of power by the chairman, but we believe that not enough of his work is codified. This could be remedied by preparing written guidance for each board in the form of a procedures manual. Each manual, which would supplement the regulations, should in some detail describe the process to be followed in

conducting the board's business. The manual should be specific enough to brief new members on what is expected of them and ought to identify specifically the kind of information which must be obtained before the board can make a recommendation. The manual ought to illustrate typical as well as precedent-setting cases and be updated periodically.

Closely related to our suggestion for procedural manuals is the need to establish policy so that each of the boards can best balance individual and institutional equities. This policy, which must be based on law, should be derived from senior management. It is needed to ensure consistency of application and to avoid domination by a single member or small group, seeking to impose personal views on the others.

Several board members said they personally have questioned the circumstances and validity of some employees' claims. Their doubts evolved apparently after a number of experiences with claims which appeared, at least to the board member, to be exaggerated or the result of poor judgment by the claimant. While skepticism is an integral part of a review board process, it should be grounded on some basis other than possible differences in personal judgments between the claimant and the board member.

Senior management policy can be articulated in considered responses to such questions as:

1. What is the purpose of the boards: are they control mechanisms to ensure public funds are not squandered, or are they to protect the employee against having to absorb undue financial loss owing to the circumstances of his employment or both?

*with due consideration for govt equities*

2. Shall the board operate as the keeper of the public purse and demand strict adherence to every detail in the regulation?

3. Should reasonable doubts be resolved automatically in favor of employee? *NOT feasible for clandestine service*

4. Should employees involved in financial shortage and overage cases be presumed negligent until proven otherwise as is currently the case?

*NO*

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3. Should reasonable doubts be resolved automatically in favor of employee?
4. Should employees involved in financial shortage and overage cases be presumed negligent until proven otherwise as is currently the case?



5. Should employees automatically appeal board decisions? If some boards do not advise employees of this right, is the Agency legally vulnerable to a private law suit?

6. Should the appeal system ensure that a disinterested party is automatically included in a rehearing of a case? If the same people who originally judged the case restudy it, does this constitute bias against the employee?

*Need GC advise on this*

*We should be consistent across the Agency on this*

### Appeals

The seemingly simple appeals process is a topic of major disagreement among board members, some supervisors, and management. The views on the subject range from a desire to deny the employee any right at all to appeal to the belief that every employee has a right to appeal any decision. As a result not all employees are aware of their right to appeal an adverse decision.

The more assertive employees, some board members argue, are willing to appeal to the highest level and more often than not get relief. Other employees, who are less aggressive by nature and who presume the system treated them fairly, do not appeal. Some perceive this as a double standard and charge that it is unhealthy. In a worst case scenario, two situations with identical facts could result in opposite decisions solely due to the personal nature of the claimants. We do not share the view that "squeaky wheels" have created an imbalance in the system. The decision to appeal must rest with the employee. The important thing, from an organizational point of view, is that each employee be aware of his right to appeal, not whether he chooses to exercise his right.

*We must not automatically set aside government interests but we must ensure that the individual is treated fairly and get rapid resolution of his/her perceived problems, even if unfavorable to what they would*

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Chapter 3

HEADQUARTERS CLAIMS REVIEW BOARD

Background

The Headquarters Claims Review Board (HCRB) processes and adjudicates claims against the U.S. Government for personal property that is lost, damaged, or destroyed during official or operational assignments.

Authorities to settle claims are authorized under the Military Personnel and Civilian Employees Claims Act of 1964, as amended, and the Central Intelligence Agency Act of 1949, as amended. The pertinent CIA regulation is HR  updated in January 1979, which sets forth the policy, responsibilities, and procedures for the processing, investigation, review, settlement, and appeal of personal property claims. This regulation relies heavily on Department of the Army regulation AR 27-20 for general guidance in the settlement of claims.

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The board consists of a chairman, a senior officer in the Office of Logistics; a representative from the Directorates of Administration (DA), Operations (DO), Science and Technology (DS&T), National Foreign Assessment Center (NFAC), and the Office of the Director of Central Intelligence; a claims review officer; and a part-time secretary who sometimes assists the claims review officer. The Office of General Counsel (OGC) unit assigned to the Office of Logistics (OL) provides legal advice to the board and its secretariat. The claims review officer position is full-time; the chairman spends 50 percent of his time on claims work. Board members estimate their duties take about 2 to 5 percent of their time.

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The average cost of the 280 claims paid in 1980 was \$2,188. A number of claims adjudicated in 1980 were from [ ] and were in most cases more costly than the average.\*\*

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Personal property claims under \$100 are settled by the chiefs of [ ] overseas installations.\*\*\* All other claims must be submitted to the HCRB. After investigation and review by the claimant's division or office, they are forwarded to the HCRB with appropriate comment and recommendations.

Upon receipt, the claims review officer determines if the loss is incident to service, that there was no negligence, and if possession of the property is reasonable and proper under the circumstances. The claim is then evaluated and the value of goods determined by actual replacement cost or application of a standard appreciation/depreciation formula. If the value of an item or items exceeds certain limitations listed in AR 27-20, the excess is disallowed. The claims review officer's findings and recommendations are forwarded to the chairman who settles those up to \$1,000 on his own, with or without the advice of the board's legal advisors. Claims between \$1,000 and \$5,000 require the approval of the chairman, after discussion with the legal advisors, and the consent of the DDA representative and the member for the

\*The HCRB figures were compiled for CY 80; [ ] figures were for FY-80, with funds and number of cases for the last quarter based on projections.

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\*[ ] claims totaled \$270,367 in CY-80. Almost \$162,000 of this amount was for claims received in CY-79 but paid in CY-80.

\*\*\*The board in late April proposed that the limitation be raised to \$300. We endorse the board's proposal and further suggest that the limitation be adjusted annually for inflation.

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claimant's directorate. Claims between \$5,000 and the legal maximum of \$15,000 require review by all board members and final approval by the DDA. If a board decision is not unanimous, the majority opinion, accompanied by the dissenting view, is forwarded to the DDA for final determination.

Appeals are submitted to the DDA, who assigns them to the claims review officer and the board chairman for reconsideration. Their findings\* are returned to the DDA with a recommendation for approval or denial. If the claimant is not satisfied with the DDA's ruling, he may appeal to the Director of Central Intelligence (DCI) through the Office of Inspector General (OIG). The OIG report, with recommendations, is sent to the DCI for final action.

The current board meets irregularly as a group. Business is generally conducted via interoffice mail. Most claims that require action by selected members or the board as a whole are forwarded to them with a request that they review the accompanying documentation and approve or disapprove the claims officer's recommendation.

About 60 percent of 1980 claims were handled exclusively by the claims review officer and the board chairman; the full board met on less than 25 percent of the claims submitted. The remainder were settled by the chairman and appropriate board members. The chairman schedules meetings of the board when policy or a particularly complex claim need to be discussed. This normally works out to about one meeting a quarter, according to board members.

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\*Of seven appeal cases in CY 1980, four were approved in whole or in part and three were denied.

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Findings and Conclusions

Policy

25X1 The Agency, in accordance with the 1964 Claims Act, relies heavily on the Department of Army guidelines in the settlement of claims. The policy for many years has been to follow the military's lead in claims work to avoid making the Agency appear it was setting itself apart from other government agencies. As a result, the Agency has rigorously adhered to the Army's payment limitations on various property categories, e.g. paintings, stereo equipment, jewelry.\* The Agency exceeded these limitations in special circumstances-[ ] is the latest example--when they were not compatible with its needs. Other exceptions have been made occasionally for operational or cover reasons.

The majority of board members we talked with thought it was time to take a new, bolder tack. The Agency they said, can no longer afford to neglect its own interests. Several members regarded a responsive claims system as an integral part of any overall Agency program to increase morale and to maintain a first-class overseas operational cadre. We agree.

The 1964 Claims Act, apart from requiring adherence to a few statutory limitations, permits civilian agencies to tailor their claims systems to suit their needs. OGC has ruled that the DCI has such authority and as noted above, the Agency has acted unilaterally on occasion. The Department of State follows a policy that suits its particular needs and raises category limitations independently.

The first step in structuring a claims system to Agency needs is to have a clear operating philosophy to guide the HCRB in its deliberations. This must be done at the

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\*Agency, Department of State, and military personnel involved in claims work agree current Army category limitations are too low and should be raised as soon as possible. See Tab A "Government Liability for Personal Property Claims" for a Table of Maximum Allowances.

DCI-DDCI level. Claims work often involves varying emotions and subjective judgments. Personal attitudes and lifestyle preferences sometimes clash, often subconsciously, with organizational goals. Lacking firm guidance and direction from top management, the philosophy of a board sometimes is established by a chairman or small group of members. In other instances, the result is drift and uncertainty. Thus, we suggest that the DCI and DDCI, in consultation with senior advisors, establish in writing the operating philosophy of the HCRB. This should serve as the basis of the board's deliberations in initial claims adjudication and in appellate actions. In establishing an operating philosophy, the questions beginning on page 5 of Chapter 2 should be among those considered.

The next step is to identify those policy areas the Agency wishes to alter. These changes can be accomplished through revisions that will not make our system appreciably different than the military and will be generally consistent with Department of State policy. The current HCRB, rather than a special task force, is the logical choice for this in view of the members' experience, background, and familiarity with the claims process. We therefore suggest that the DDA task the HCRB to review HR [ ] and recommend appropriate revisions. We believe any revision of HR [ ] should:

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- designate the board as the focal point for action on claims matters, with responsibility for reviewing and recommending policy changes, alerting senior management to existing or anticipated problems and advising senior management when an appellate ruling constitutes a change in policy. (This last point is discussed in more detail later in this chapter under the section entitled Appeal Process.) The board has shied away from doing so because it did not think it had the authority. Senior management, on the other hand, cannot resolve problems or questions of policy that are not brought to its attention.
- clarify as precisely as possible those terms used in claims work--incident to service, official duty, negligence, reasonable possession of property, and multiple claims--which are subject to varying interpretations.
- ensure that category limitations, the major element of a claims system, are realistic, in step with operational and organizational needs, and

current. The claims review officer should advise the board when category limitations require change.

The Agency should clearly define the extent of financial protection afforded temporary duty (TDY) travelers. We find there are differing policies among government organizations regarding TDY. The Department of State limits coverage to events or acts that occur during official working hours. As a result, their TDY employees are seldom reimbursed for losses that occur during weekends, mealtimes, or after normal Embassy working hours. The military is more liberal, reasoning they have a responsibility to any individual serving outside his "home environment." Military claims officers normally honor claims for theft that occur after normal duty hours, provided negligence or improper conduct is not involved.

This issue came to our attention when Office of Security personnel complained about TDY morale problems. They noted that claims submitted by security technicians for watches and money stolen from hotel rooms or in street robberies were being rejected on grounds that the losses were not incident to service. Upon checking, we found that the claims review officer was recommending reimbursement for losses incurred only during official working hours. We polled the chief support officers of various components, the board members, and a cross section of Agency employees on this issue. All of those questioned believed employees should be reimbursed for losses incurred while on TDY, provided negligence and impropriety were not involved. Most people, including board members, took the position that TDY travelers seldom adhere to regular duty hours, often working for extended periods of time and during weekends, and therefore deserve round-the-clock protection. We reported this to board members who subsequently recommended that the Agency adopt a more liberal policy. We were advised recently, however, that some members of the board were having second thoughts and that the recommendation was being reconsidered.



Given the large number of TDY assignments, the increasing crime rate throughout the world, the difficulty in getting personnel to accept TDY missions, and the need to maintain high morale, we suggest that the DCI establish a policy that will provide fair and reasonable reimbursement for employees who innocently suffer financial loss during TDY assignments.

#### Appeal Process

Of 143 claims settled by the HCRB in 1980, seven were appealed to the DDA. While we find this five percent appeal rate reasonable, we believe the overall appeal process should be improved.

Appeals are reviewed essentially by the same people who judged the original claim, leading some to question whether the appellant can get a fair second hearing. As one board member put it: "Most people submitting a claim for reconsideration assume the involvement of a disinterested party, since this is the basis of the appellate process. The only time this really happens now is when a claim reaches the OIG level." To allay doubts about the fairness of the appeal process and to ensure that appeals are perceived as getting maximum attention, we suggest that:

- the entire board, sitting as a group, review appeals dealing with claims under \$5,000.
- the DDA determine whether the board should continue to review appeals involving more than \$5,000, since all the members ruled on original claims in this category. The designation of one or two alternate board members whose duties would be limited to hearing appeals exceeding \$5,000 would provide the necessary "new blood" to defuse any charges of predisposition by the regular board members.
- a senior officer other than the DDA, possibly the DDCI, be named the reviewing authority on appeals involving more than \$5,000, since the DDA is the final authority on all original claims in this category.

25X1 The regulation states "The grounds for appeal must be set forth fully and any new evidence submitted." We find that both claimants and those adjudicating claims can interpret the term "new evidence" too narrowly. Some adjudicators believe that an appeal must contain new facts or clarification of existing facts to be valid. Employees at times are reluctant to press their claims further because they do not have any new evidence per se. Yet we find that in many appeal cases, and particularly those that reach the OIG level, the crux of the issue is not the facts but how those facts were interpreted. We do not agree the regulation was meant to be applied this narrowly. We suggest that HR [ ] be expanded to list specific grounds for appeal and make clear that new evidence is not the only basis for reconsideration of a claim.

The board chairman is critical of the OIG role in the appeal process. He maintains OIG representatives take a more "humanistic" approach and concentrate on finding loopholes in favor of the employee. The board he points out, lacks the time and manpower for such in-depth investigations and operates within the criteria established by the regulations. OIG inspectors he adds, frequently ignore the board's criteria or go beyond them in arriving at their recommendations. This use of different criteria he says, undermines the board's authority and may result in more employees appealing to the DCI in hopes of reversing the board's decisions. He believes the board's decisions should not be "grievable."

The inspectors use the same regulations and procedures as the board in their investigations. The difference in conclusions—and the conclusions are not always different or in favor of the appellant\*—usually arises from interpretation of the facts or

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\*Five employees submitted claims appeals to the DCI during CY-80. In two instances, the OIG uncovered new evidence which allowed the board to reverse itself in favor of the employee. In one instance, the DDCI upheld the recommendation by the OIG to deny the claim. In another instance, the DDCI approved the OIG recommendation but authorized more money for the claimant. In the fifth case, the OIG agreed with the board's denial but the DDCI authorized full payment.

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new information developed in the course of the inspector's investigation. This is consistent with the regulation, which describes investigation as "the most important and critical phase" of claims work and states that "the investigative process must be sufficiently broad and thorough to ensure that the interest of both the United States and the claimant are fully protected."

Whereas most board members agree that an employee should have the right to appeal his case to the DCI, they have some reservations about the way this is done. The members recognize that an inspector assigned to a claims case is able to investigate matters in greater depth than the claims review officer and perhaps uncover new facts or extenuating circumstances that were not available to the board. When the inspector proposes reversing or modifying the board's decision, the members would like to meet the inspector involved before the case is forwarded to the DCI. If the inspector's conclusions clearly warrant a reversal, the board would amend its decision thereby obviating DCI involvement. This has been done occasionally, but board members would like to see the practice formalized. Even if the board did not accept the OIG findings, it could benefit indirectly by being exposed to a different interpretation of the facts or new ones developed by the inspectors. Conversely, a discussion with the board might bring to the inspector's attention points which he overlooked. We agree this request is reasonable and constructive. A representative of the Inspector General will meet with the board chairman to make the necessary arrangements.

Several board members believe that a DCI acceptance of an OIG recommendation that reverses or modifies a board finding often constitutes a reversal of policy rather than a simple exception to the board's action. The board they point out, is placed in a difficult position when it must adjudicate claims by rules which are reversed on appeal but never changed. We suggest that when the board believes a DCI or DDA reversal of its decision constitutes a policy change, it request a ruling from the DDA. If the DDA concurs, the regulation should be amended promptly.

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### Board Membership and Procedures

None of the members, including the chairman, are serving on the board by choice: the DDO representative was appointed, while others found the duty came automatically with the positions they occupy. Several members questioned the wisdom of filling board positions in so fixed a manner. For one thing, this practice results in a perpetual preponderance of Directorate of Administration (DA) officers, as all but the DDO representative are support service careerists. This trend presents no problems now, according to one board member, because most members have overseas experience. But with overseas opportunities for DA personnel decreasing, future appointees with support backgrounds might not have the same breadth of experience. We agree and suggest that directorates select future board representatives against established criteria. Such criteria should include a willingness and interest in serving on the board, familiarity with operational realities and overseas living conditions, common sense, and a demonstrated capability for even-handedness and fairness. We also suggest that the DDS&T and the D/NFAC broaden the scope of the board's experience by selecting HCRB representatives from senior officers of their own career services.

The claims board sits infrequently as a group, a fact that evokes mixed feelings among the board members. They appreciate that meetings are kept to a minimum. They also believe that the present sign-off system works well in most cases, that they receive sufficient documentation with the claims review officer's recommendation to make a reasoned decision without the benefit of group discussion. Nevertheless, several members worried that the board was becoming too mechanical, that they should exercise more independent judgment and not rely so heavily on the claims review officer and board chairman. Several thought the current sign-off system often resulted in the members functioning more as individuals than a collegial entity.

We also share these concerns, primarily because they could foster the impression that the board is rubber-stamping the claims review officer's recommendations rather than deciding cases on merit. The current sign-off system is adequate for the majority of cases which involve simple computations applied against category payment limitations. But we would like to see more frequent meetings in general and greater board attention in cases that involve the more subjective areas of claims work. We suggest that the board as a group routinely review all claims that the chairman recommends be denied because they are not incident to service, there are indications of negligence, possession does not appear reasonable and proper, or they do not qualify for multiple claims. This, together with our earlier proposal of an expanded appellate process, would foster greater interaction and permit board members to apply collective wisdom to the most controversial areas of claims work. We hope too that by involving the full board early-on in controversial claims, there would be fewer appeals.

We think the board would be strengthened if new members received a complete briefing on their responsibilities, the philosophy and scope of the board, the major legal considerations involved in claims work, and the "unwritten" rules that so often influence the deliberations of any board. Several members indicated they received little or nothing in the way of a formal introduction to their duties. They learned "by osmosis," and several say they may rely too heavily on the recommendations of the claims review officer and chairman. We suggest that board procedures and policies be codified to ensure long-term consistency in claims adjudication.

#### Board-Component Coordination

Board members and component managers hold differing perceptions of the claims system. Board members believe that the field and component managers routinely endorse all claims because they have nothing to lose. If the claim is approved, management is

viewed as supportive. If the claim is denied, the board rather than management is cast as "the heavy" in the employee's eyes. Component managers counter that they approach claims matters from a broader perspective, with operational factors, morale, and overall equity foremost in their minds. They believe the board sometimes fails to appreciate or fully consider the special circumstances detailed in some claims.

We are concerned that little has been done to remedy this situation, which can only be described as counterproductive for the claims system and the Agency as a whole. This gap in understanding should be closed; constructive dialog would seem to be the logical solution. We suggest that the HCRB and component chiefs of support meet once or twice a year for discussion and exchange of views on claims matters. We also suggest that when the board plans to reject a claim, it discuss the issues with the component support officer before making its final decision.

#### Annual Report

We suggest that the HCRB submit a report to the DDA at the end of each fiscal year. The facts and figures for an annual report exist, but in scattered form. The board keeps one set of figures for the cases it has handled. The Department of State reports annually on funds paid to integrees who filed claims through its channels. With claims settlements now running about half a million dollars a year, and little likelihood of this figure decreasing measurably, a comprehensive record of claims settlement costs should be available to management.

#### Training

The burden of advising overseas employees on their claims falls on support officers and operational support assistants (OSAs). A number of people however, complained of being given poor or inaccurate advice about entitlements and claims preparation. As a

result, employees belatedly file claims after they return from overseas assignments and about 40 percent of all claims filed are delayed because the original submissions are incomplete. Several people suggested that use of a standard claims form might help minimize preparation errors. We believe the board should encourage using the standard claims form since the current checklist detailing the steps involved in preparing a claim apparently is not doing the job in many instances.

The crux of the problem is inadequate training. The Office of Training and Education's Field Administration Course for support personnel includes a briefing by the claims review officer. But this briefing is basically an overview of the system rather than a nuts-and-bolts primer on how to prepare a claim. Moreover, higher-graded support officers normally do not attend the course and are expected to master the claims system on the job. Thus, the lower-graded OSAs who administer smaller installations receive only a limited briefing and the higher-graded officers who staff our larger posts and serve a greater number of people get virtually no training.

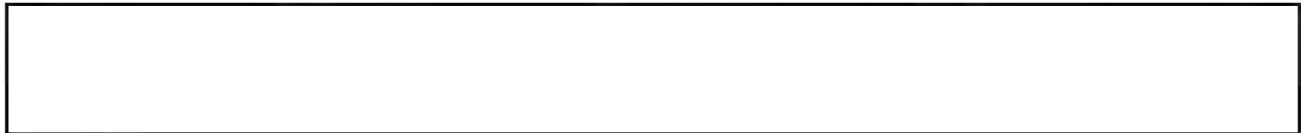
We suggest that the DDA establish a program to ensure that support personnel are adequately trained to assist overseas personnel in the preparation and submission of claims. We also suggest making the logistics officer of every component the focal point for claims training. He would brief outgoing support personnel on the intricacies of the system and school them in the preparation of claims. He would also answer field queries and update visiting support officers on claims developments.

The Department of State shortly will issue a handbook to assist administrators and employees in submitting claims. In addition to practical advice on preparation, it will detail many of the "unwritten" ground rules applied in adjudicating claims. The Department claims officer said issuance of the handbook is expected to improve consistency and compliance within the system and better educate employees on the intricacies of claims adjudication.

We brought this to the attention of the board chairman, noting that Agency support personnel and employees would benefit from a similar manual. We would suggest however, that the format be kept simple,\* that the emphasis be on helping personnel understand and interpret the more difficult subjective areas of the claims process. This would require codifying the unwritten factors that may influence board decisions and providing the best possible definitions of the key, and most subjective, areas in claims adjudication—incident to service, negligence, whether possession is reasonable and proper for the assignment, and multiple claims. Examples should be used freely for clarification. The board chairman has tasked the claims review officer with drafting a handbook.

#### Field Notices

The Department of State claims officer periodically issues field advisory notices to employees and administrators on recent claims developments. Major insurance firms also follow this practice, usually publishing such information in brochures or magazines sent to policyholders. The purpose is to alert people about recent events, trends, or extraordinary circumstances that might possibly affect a pending or future claim. The



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\*We read a draft of the Department of State manual and found it too formal and stiff to be effective. Simple language, stated in layman's terms with supporting examples, is called for.



### Education of Employees

It is important that employees be fully aware of their entitlements under the claims system. It is equally important that they be aware of the limitations of the system so they can avoid disappointment and financial loss. Past efforts in employee education have been sporadic and for the most part inadequate. As a result, many employees, including some with years of overseas experience, either have no or only a vague understanding of the claims system.

The board chairman, recognizing this fact, is working to correct this situation. Central Processing Branch (CPB) of the Office of Personnel has been made the focal point for briefing outgoing personnel. A special brochure ("Government Liability for Personal Property Claims." Tab A) has been prepared for overseas departees which provides highlights of the claims system and lists the major category limitations. The claims review officer regularly addresses overseas orientation classes and is available to brief special groups upon request. The special brochure handed to employees by CPB encourages people to contact the claims review officer if they have additional questions.

Despite these positive steps, there is room for improvement. We discovered that the CPB personnel tasked with briefing outgoing personnel had not been briefed themselves. As a result, the quality of information available to departees has varied considerably. We brought this to the attention of the Chief of Central Processing and arranged for a briefing.

It is also important that an employee's spouse be familiar with the claims system. Overseas orientation courses are a step in the right direction, but the number of dependents who attend these briefings varies. A way to reach more spouses is through Office of Personnel's (OP) newly formed Family and Employee Liaison Office (FELO). The OP is making every effort to publicize FELO and to encourage spouse visits. We suggest that components also strongly encourage spouses of all employees assigned overseas to visit the FELO for information on the claims system.

Central Processing Branch and FELO employees believe the special HCRB brochure on claims should be augmented by a question-answer handout focusing on the major questions employees ask after reading the brochure. They point out that many employees are so harassed and preoccupied with their processing that they fail to comprehend or ignore the advice given them during formal checkout sessions. We agree.

#### Insurance

After talking with employees and spouses who have received briefings, it is clear to us that many have difficulty absorbing the complexities involved in insurance. Most people responsible for briefings shy away from offering advice because they do not regard themselves as qualified insurance specialists. Yet advice is what most employees want. Several commented that whereas the briefings they received alerted them to the issue, "no one really pulled it together." They recognize the final decision on insurance is their personal responsibility, but they want their options packaged as concisely as possible. The booklet "International Insurance for the Federal Employee" (see Tab B) provides a comprehensive review of the insurance picture. But many people find the contents difficult to digest and in some instances comprehend, particularly when pressed for time.

While acknowledging the view that an organization can only "spoon feed" employees so much, we agree there is a need to "pull together" the basic options for employees so they may make the wisest decision. Given the complexities, it is not enough to provide the employee with information: it should be distilled so they can use it to their advantage. This point was driven home to several of the inspectors who, despite years of experience and overseas tours, learned from this study that they have unnecessarily insured certain items or absorbed losses over the years that were legitimately reimbursable under the claims system.

To our knowledge no one has done a thorough analysis of the claims system and private insurance coverage that will enable the employee to easily determine his insurance needs. We learned that some employees need not obtain private insurance because they are adequately protected by the provisions of the 1964 Claims Act, but that others do indeed need additional private insurance to cover their property. We also learned that additional or supplemental insurance can be difficult to obtain. Most insurance companies insist on full coverage, pointing out they cannot make money insuring only high-risk items. When companies are willing to issue a policy for less than full value of the goods, it is often with special provisos that boost the cost or restrict reimbursement to a percentage of the value of the goods.

We believe it is important to eliminate employee confusion in this area. We also believe that this confusion can only be eliminated by someone familiar with insurance matters. We therefore suggest that the Director of Personnel consider hiring an insurance consultant to evaluate the coverage afforded by the 1964 Claims Act and private insurance companies to determine the best set of options for employees. The results, in clear and concise terms, should be published in a special handout for employees being sent overseas. If entrusting this task to a private consultant is not feasible, we suggest that the claims review officer, in coordination with CPB and FELO, prepare a question-answer handout which focuses on major employee concerns regarding insurance and protection of their personal possessions.

We also believe that operating components should play a greater role in ensuring that employees—particularly those going on TDY—have been properly briefed. None of the components we surveyed do this now. We suggest that operating components, as part of the checkout process, routinely determine if travelers are familiar with their claims entitlements and the extent to which their personal belongings are protected by the government while they are on permanent or temporary assignment. Employees assigned

to high-risk and high-crime areas should be counseled on the wisdom of leaving items with great sentimental or monetary value in safe storage.

The Agency, Department of State and military claims personnel we interviewed believe the majority of government employees rely totally on the protection afforded by the 1964 Claims Act and ignore recommendations that they carry private insurance to fully protect their goods. Apart from the complexity, confusion, and frustration involved in selecting the right type of insurance, private insurance is expensive, particularly for lower-graded employees. And several middle and senior officers noted that while the cost of insurance was within their means normally, they were forced to forgo its purchase because they were financially strapped by other transfer expenses.

We wondered if it might be possible to overcome the cost problem and provide better overall coverage for employees' goods through an Agency-sponsored program similar to the Agency's GEHA health plan. We were advised that the Army-Air Force Exchange Service recently introduced a plan called COMPAC for its civilian employees. The rates appear considerably lower than those currently offered by local international insurance brokers. The Chief of the Army Claims Service told us that COMPAC is still in the pilot stage. If it is successful (and the indications so far are positive), the Army will probably institute a similar plan.

We provided the Office of Personnel with the COMPAC brochure and asked if a similar program might be feasible for the Agency. A private insurance broker was asked to study the matter, but his findings had not been received at the time this report was written. We suggest that the Director of Personnel review the contractor's findings to determine if an Agency-sponsored household effects insurance program is feasible. We also suggest that the Office of Personnel consider coordinating with the Army Claims Service and the Department of State on the possibility of an overall government-sponsored program if the COMPAC pilot project proves successful.

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Option: A Restructured System

This chapter thus far has dealt with fine-tuning existing procedures to improve the claims system. Another approach would be to have all claims processed by the board secretariat and limit the board's function to hearing appeals. As noted earlier, the secretariat is already responsible for computing all claims and making recommendations on settlement. As matters now stand, the full board passes on less than 25 percent of the cases handled by the secretariat.

Concentrating the board's role at the appellate level would provide several benefits. First, it would cut the time involved in the processing of claims, one of the major complaints about the current system's multi-layered structure. Second, it would permit the board to concentrate its energies and expertise on the more controversial cases. Third, it would strengthen the appeal process by ensuring that a disinterested group not involved in the original settlement offer was injected into the system at the next level. We think, and the HCRB chairman agrees, that this idea has merit and may warrant a trial.

Chapter 4

HEADQUARTERS SURVEY REVIEW BOARD

Background

The Headquarters Survey Review Board reviews reports of survey for the loss, damage, or destruction of Agency owned or controlled property that involve amounts in excess of \$1,000, and in any amount where an individual has been charged with pecuniary liability.

Authorities for the board are prescribed in HR  Accounting for Lost, Damaged, and Destroyed Property. The bases for the regulation are various public laws which hold the head of each Agency responsible for establishing and maintaining adequate systems of accounting and internal control. Adequate accounting for property is important because public funds are invested in such resources. This investment obligates management to be able to account for the resources and to procure, use, and manage them properly and effectively.

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The board, which has the same members as the Claims Review Board, consists of a chairman, five members, two advisors, and a secretary. In accordance with HR  whoever occupies the Chief, Plans and Programs Staff position in the Office of Logistics, serves as chairman. Likewise, whoever is assigned to the positions of Administrative Officer, Office of the DCI, and Special Support Assistant to the DDA are members. The other members are representatives of NFAC, DO, and DS&T. The two advisors are from the Offices of General Counsel and Finance. The secretary is appointed from the Plans and Programs Staff, Office of Logistics. The chairman spends about 5 percent of his time on board matters; the other board members spend less. An officer in the Plans and Programs Staff who works for the chairman spends about 10 percent of his time doing the administrative work of the board.

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The report of survey serves two major purposes: to support removal of property from accountable records; and to determine responsibility and pecuniary liability. They are initiated by individuals who are responsible for property that has been lost, damaged, or destroyed to obtain relief from responsibility or liability when other specific means of accounting are not authorized. Reports are mandatory if there is any evidence, possible indication, or question of negligence or unauthorized use of disposition; when normal methods are inadequate to fix liability; and in all incidents involving loss of firearms, explosives, pyrotechnics, ammunition, narcotics, or similar drugs, undenatured alcohol or alcoholic beverages, regardless of whether or not pecuniary liability is admitted.

The report of survey is reviewed by the appointing/reviewing authority (an individual authorized to appoint property accountable officers) to determine if a surveying officer should be appointed or if the responsible person should be held pecuniarily liable or relieved of responsibility. The appointing/reviewing authority may approve reports of survey involving amounts up to \$1,000 whether or not a surveying officer is appointed.

The authority to appoint a surveying officer also is vested in chiefs of  overseas field installations, deputy directors, heads of independent offices, and the operating officials listed in HR  all of whom may approve reports of survey of \$1,000 or less where no pecuniary liability has been assessed.

A surveying officer is appointed when it is not clear that all concerned should be relieved of responsibility or when the amount of the loss or destruction exceeds \$1,000. The appointing/reviewing authority reviews the statement of facts and recommendations of the surveying officer and refers those cases involving amounts in excess of \$1,000 and all cases when individuals are charged with pecuniary liability to the Headquarters Survey Review Board for further review and action.



25X1 The board receives an average of 10 reports a year but only a few of these meet the criteria set forth in HR  for board review. The remainder are returned to the appointing/reviewing authority for final action. The board seldom meets as a body on any of the reports. In the two cases the board was required to review in 1980, the recommendations made by the surveying officer and the chief of the installation were forwarded to the individual board members and advisors for their concurrence. Although the board is not bound by the surveying officers' recommendations, it seldom finds reason to differ with them. The board is required to send its findings to the DDA for final decision when there is not unanimity in its decision and when the survey involves amounts over \$5,000.

— An individual held pecuniarily liable under a report of survey is advised in writing that an appeal may be submitted within 60 days. When the liability involves \$1,000 or less, the appeal is made to the Headquarters Survey Review Board and if denied then to the DDA. If the liability exceeds \$1,000, appeals are made directly to the DDA. A final appeal may be made to the DCI through the Inspector General.

#### Findings and Conclusions

The procedure for processing surveys appears to work effectively and efficiently. Primarily the board reviews reports from field installations which must include recommendations by the surveying officer and the chief of the installation. Although not bound by their recommendations, the board seldom overrules the recommendations of surveying officers and chiefs of the installations because of firsthand information available to them. Given these circumstances the board finds it difficult to attribute negligence or pecuniary liability in most of the cases and normally gives the individual the benefit of the doubt.

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The board receives several reports each year of accidents involving government automobiles. Most of these reports are returned to the sender for local resolution unless negligence resulting in pecuniary liability is involved.

The Agency has a large amount of property in numerous locations throughout the world. The property accountability system is active; a large number of transactions are recorded each year. We were concerned about the possibility of property being dropped from records without proper authority and made inquiries into this matter. We are assured by our Audit Staff that its tests of records in the field and at Headquarters should detect any significant abuse.

The Headquarters Survey Review Board is the least active of those we reviewed. Is the board still necessary? We think so. Its very existence should serve as a reminder to employees that proper care must be given to government property.

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Chapter 5

BOARD OF REVIEW

Background

The Board of Review, more popularly known as the "Board of Shortages and Losses," was established in 1958. It recommends to the Director of Finance action for settling cases that involve overages or shortages of Agency funds or debts due the Agency. It also recommends changes in Agency regulations and handbooks and suggests corrective actions to be taken to avoid future discrepancies in funds.

Authorities for settling shortage and overage cases are prescribed in [ ] Settlement of Accounts Involving Shortages or Overages of Agency Funds. The basis for this regulation is Public Law 80-321 dated 1 August 1947, 61 Stat. 720, 31 U.S.C. 82a-1 which defines the conditions under which the General Accounting Office may relieve a person of responsibility for the physical loss or deficiency of government funds. Under the Agency's authorities in the CIA Act of 1949, as amended, a shortage or overage of Agency funds involving activities that requires security protection may be settled by the Agency without regard to any other provisions of law or regulation. The Federal Claims Collection Act of 1966 and implementing standards and regulations are the basis for HR [ ] Collection and Settlement of Debts Due the Agency. They provide that the head of an agency shall attempt to collect debts due the government, but may settle debts that do not exceed \$20,000 by compromise or write-off. As in HR [ ] cases involving security or cover protection may be settled by the Agency unless they are required to be turned over to the Attorney General.

Board membership, as specified in HHB [ ] consists of representatives of the Office of Finance, General Counsel, Audit Staff, Special Support Assistant to the DDA, and Office of Security. Although not required, a representative of the DO is also a

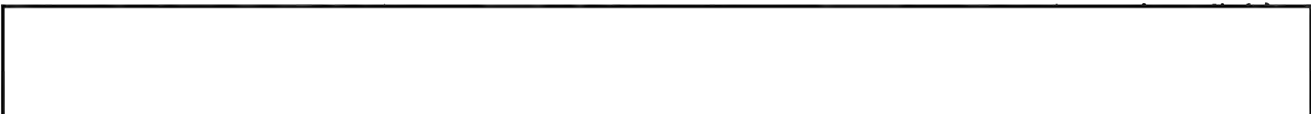
voting member of the board. The Office of Finance (OF) representative is the board chairman. If a case involves a directorate or independent office that is not represented by the above members, then an additional member from that directorate or independent office must be present when that case is considered. Each member, other than the chairman, has an alternate. A quorum consists of the chairman and two other members, one of whom must be from the directorate or independent office responsible for the case being considered. The chairman spends about ten percent of his time on board matters; the other members two to three percent. An OF secretary assists the board and also is secretary for the Overpayments Review Board. She devotes nearly all of her time to these two boards. The Director of Finance estimates that five percent of his time is spent on shortage and overage matters.

The Board of Review meets at the discretion of the chairman. Prior to each meeting, the secretary prepares and distributes a folder for each member containing the facts about each case to be discussed. She keeps minutes of each meeting and circulates them to each member for approval or comment. The Director of Finance, taking into consideration the board's findings and recommendations, makes the final decision on cases up to \$1,000 or recommends a decision for DDA consideration on cases over \$1,000 up to \$5,000. The component having responsibility for the case is notified in writing of the decision and instructed to so notify the employee and to collect in cases where the employee was held pecuniarily liable.

Most cases reviewed by the board concern overages or shortages of cash at DO field stations and lost or stolen Agency funds. The responsibilities of cash custodians are clearly spelled out in Agency regulations, as are the procedures for handling and accounting for funds. The board's primary function is to review the cases referred to it by the Director of Finance and determine whether:

- the responsible individual was acting in the discharge of his or her official duties when the shortage or overage occurred; or
- the shortage or overage occurred because of the act or omission of a subordinate of the responsible individual; and
- there was negligence or fault on the part of the responsible individual.
- the responsible individual should be held pecuniarily liable for or granted relief from any shortage charged to him or her.
- the case involves activities which in the national interest require security or cover protection.
- the case presents a question as to violation of the criminal provisions of the United States Code.

When the number of cash transactions the Agency makes each day and the problems in paying agents in unusual jobs in unusual places are considered, the Agency's record on shortages and losses of its funds is remarkably good. Losses both in dollar amounts and percentage amounts are only a small fraction of the total funds handled. At the end of



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12 shortage cases totaling \$13,080\* that year, and the employee was held pecuniarily liable in four of them. In the first half of FY 81, the board has adjudicated 13\*\* cases totaling \$4,079. Eleven cases totaling \$3,352 were adjudicated in FY 79 and 15 cases totaling \$6,296 in FY 78. About 80 percent of the shortage cases are for amounts less than \$500 and about 50 percent are less than \$300. Almost all recent overage cases have been less than \$300.

\*Includes one case for \$4,762 (Africa Division) and one for \$3,000

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\*\*This is a higher than normal caseload that accumulated during a three month underlap of board chairmen when the former retired in 1980.

Findings and ConclusionsOperations Support Assistants

The majority of the board's cases in recent years involve Operations Support Assistants (OSAs), primarily in the Africa [ ] DO. B&F officials in these divisions attribute this to the fact that the more competent OSAs do not apply for assignments to a relatively large number of undesirable posts or where benefits associated with overseas service are not available.

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The OSA is the administrative backbone of the smaller [ ] foreign field stations and bases. The job calls for a person who is proficient in financial accounting, property management and staff communications; who can handle logistics, personnel and security activities; who can do secretarial work; who understands DO operations; who in most stations and bases must understand the cover organizations' administrative procedures; and who on occasion, especially at very small stations or bases, may be acting COS or COB. The OSA position typically is graded at the GS-07 and GS-08 level, although a few hold grades above and below this level.

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We talked with many Headquarters employees whose jobs relate in varying degrees to the work done by OSAs: Office of Finance personnel; DO area division B&F officers; Audit Staff auditors; DA management; past and present board members; and OT&E Field Administration Course instructors. The common theme we heard was that OSAs have an often unique and vital role in station or base activities and that they are underpaid for their responsibilities. We also heard of the difficulty in attracting and retaining competent personnel to fill OSA positions.

The Office of Personnel and DO management are aware of the concerns about OSAs and are working to make improvements. Position Management and Compensation

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Division (PMCD) of the Office of Personnel recently reviewed OSA positions and concluded that many are undergraded. A recently drafted classification standard for OSA positions, if approved, will establish grades generally at the GS-09 level with some at GS-08. We endorse this standard and encourage its implementation on a timely basis. The existing concept of having a "rover" OSA at the GS-11 level to assist in opening new stations or bases or to fill in as needed provides additional growth possibilities for those who choose this career path. In the future, associating the senior levels of OSA work with the MG (support generalist) career service may provide an additional path from clerical to professional ranks.

#### Cash Shortages or Overages

Most persons we talked with believe that cash discrepancies may be attributed to lack of adequate training for cash custodians and inadequate attention to prescribed procedures by supervisors. Several steps have been taken or are being planned to reduce these discrepancies.

- The Field Administration Course was extended from three to four weeks in September 1980 with three days being added to the financial portion of the course. This course is well run and provides excellent training for OSAs. The instructors' evaluation of the students is an important consideration in selecting and assigning OSAs. We suggest that no new OSA be given cash custodial responsibilities who has not taken and passed this course.
- Each DO area division gives the outgoing OSA some training within the division, but the amount varies and is sometimes dependent on the availability of time. There have been OSAs who have failed the Field Administration Course and whose budget and fiscal (B&F) officers have recommended against a field assignment, but they were sent anyway because no one else was available or would accept the assignment. In at least two cases, cash discrepancies occurred. We suggest that area division B&F officers certify to the Director of Finance the suitability of an OSA to be a cash custodian.
- The Office of Finance is proposing revisions to regulations and procedures relating to cash custody that include: holding the chief of station (COS),

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base (COB) or installation pecuniarily liable in some cases; giving the Director of Finance approval authority over nominees for cash custodian; and requiring custodians to certify in writing that they understand their duties and responsibilities. We endorse these changes and encourage their prompt promulgation.

- OF and area division B&F officers periodically send messages to the field reminding custodians of the importance of adhering to prescribed procedures and supervisors of their responsibilities in cash management. The latter has been necessary because of instances in which COSs and COBs had violated required procedures. In March 1981 the DCI sent a message to all employees on the responsibility of low and mid-level managers to examine claims, vouchers, etc. that they approve. We suggest that senior managers ensure that the Performance Appraisal Report of employees and supervisors (including COSs and COBs) responsible for cash management include a statement on how well that responsibility is carried out.
- The board chairman is seeking ways to automate records of board activities. One objective is to determine whether the subject of a case has been involved in previous discrepancies.

#### Charter, Procedures and Definition of Terms

We found that the current board members' diverse backgrounds and perspectives provide a balance to the adjudication of cases. What we found missing, however, are written philosophies, policies, guidelines for decision making, and definitions of terms to ensure consistency in rulings from year to year. Without these, the board can easily take on the character of its most dominant member or make decisions based primarily on personal experience. As members change so can the consistency and continuity of board decisions. We suggest that the Deputy Director for Administration take the action necessary to have a charter for the Board of Review written and to establish procedures, philosophies, and definition of terms for board use. These should be added to the appropriate Agency regulations and handbooks and made available to all employees.



Headquarters Writeoff Authority

Existing regulations authorize chiefs of station and base to write off up to \$100 in accounts other than their own. No comparable authority exists for Headquarters operating officials—all shortages and overages must be reported to the Director of Finance who, in turn, assigns them to the Board of Review. Senior officials in the Office of Finance believe that Headquarters operating officials should have the same writeoff authority as chiefs of station and base and we agree. We suggest that the Director of Finance revise HR [ ] to authorize Headquarters operating officials to settle shortage and overage cases for amounts through \$100 in accounts other than their own.

Regulation and Handbook Changes

We believe a few changes to Agency regulations and handbooks will clarify and improve the process of administering shortage and overage cases.

- Agency regulations distinguish between the procedures to follow when there is a loss of funds advanced for operational purposes (e.g., safehouse rent) and a loss of funds advanced for personal expenses (e.g., travel). Missing operational funds are considered by the Board of Review whereas missing funds advanced for personal expenses are considered by the Headquarters Claims Review Board. A case in which both types of funds are missing in the same incident, e.g., a robbery, would be reviewed by both boards. We believe that the definition of "Agency funds" in HR [ ] is adequate to include funds advanced for operational and personal expenses. When a loss occurs in a single incident, it should be considered by the Board of Review. We suggest that the Director of Finance revise regulations to have "Agency funds" lost, stolen or missing in a single incident settled by the Board of Review.
- Most Board of Review cases involve the DO and that directorate does have a voting member on the board. We believe HHB [ ] should be revised to include a DO representative as a permanent board member. We suggest that the Director of Finance revise HHB [ ] to provide for a DO representative as a permanent member of the Board of Review.
- HHB [ ] requires the Director of Finance or Deputy Director for Operations to complete action on each report of shortage or overage (except those already settled by a COS or COB) within 30 days of receipt of the report. After initially reviewing a case it is often necessary for the

board to request additional information from the field, to call a witness or principal before the board or to task the Office of Security with investigative work. Temporary unavailability of the principals involved can add time to this process. While we believe the Director of Finance or Deputy Director for Operations should complete their action in a timely manner, the 30-day requirement in most cases is unrealistic. We suggest that the Director of Finance revise HHB [ ] to increase to 90 days the time for completing action on each report of shortage or overage unless extenuating circumstances indicate additional time should be permitted.

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- The original regulation which established the Board of Review in 1958 was revised in 1959 to state, "If no further facts are available for consideration, the individual concerned may appeal to the Director of Central Intelligence through the Inspector General." This regulation was replaced by HR [ ] in which no mention is made of the employee's right to appeal. We suggest that the Director of Finance revise HR [ ] to grant employees found pecuniarily liable the right to appeal the decision to the DCI through the Inspector General. Further, the communication notifying the employee of his liability should cite the regulation that describes the appeal process.

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Chapter 6

OVERPAYMENTS REVIEW BOARD

Background

The Overpayments Review Board, established in 1970, investigates employee requests for waiver of cash refunds due the Agency because of administrative errors made in pay or allowances. The requests are made to the Director of Finance who refers them to the board for a recommendation of approval or disapproval. The board tries to establish the reason and circumstances for each erroneous payment, the date it was discovered, and corrective action required to prevent similar erroneous payments. The board determines whether there is any indication of fraud, misrepresentation, fault, or lack of good faith on the part of the employee or any other person having an interest in obtaining a waiver.

Authorities and procedures for settling overpayment cases are prescribed in HR ☐ 25X1

25X1 ☐ Waiver of Claims for Erroneous Payments. The bases for the regulation is 5 U. S. C. 5584(a) and Public Laws 90-616 and 92-453. These laws provide that a claim of the United States against an employee of an executive agency arising out of an erroneous payment of pay or allowances may be waived in whole or in part if the collection of which would be against equity and good conscience and not to the best interest of the United States.

Board membership consists of one representative each of the Director of Finance, General Counsel, Director of Personnel, and Chief, Audit Staff. The representative of the Director of Finance is designated chairman; a secretary from the Office of Finance

is named by the chairman. The function of the board is to investigate the cause of each overpayment and to ensure that the facts considered in each case meet the criteria established by the Comptroller General of the United States and the General Accounting Office (GAO). The chairman spends about ten percent of his time on board matters; the other members two to three percent. The secretary, who also is secretary to the Board of Review, devotes nearly all her time to both boards. The Director of Finance estimates that less than five percent of his time is spent on board matters.

The Agency and the GAO signed a Memorandum of Understanding in March 1977 which governs the method by which claims against Agency employees for erroneous payments of pay would be waived and the results reported to GAO. For claims of erroneous payments of pay and allowances made from non-DCI - certified funds, the Director of Finance may waive a claim which does not exceed \$500. If the identity of the employee can be revealed and the facts disclosed without revealing classified matters or sources and methods, the Agency will follow established procedures and refer cases which exceed \$500 to the GAO for resolution. If disclosure of the employee or facts of the case would disclose intelligence sources and methods, the Agency will use a John Doe numbering system to refer the case to GAO (in fact, all cases referred to GAO use a John Doe numbering system). When the overpayment was made from DCI - certified funds, the Agency will dispose of requests for waiver on the special authority of the DCI without recourse to the GAO regardless of amount. The DCI in turn delegated authority to waive a claim for recovery aggregating not more than \$500 to the Director of Finance, from \$500 to \$5,000 to the DDA and for amounts which exceed \$5,000 to the DDCI.

The Overpayments Review Board meets at the discretion of the chairman. Prior to each meeting, the secretary prepares and distributes a folder for each member

containing the facts about the cases to be discussed. She keeps minutes of each meeting and circulates them to each member for comment or approval. Recommendations are made to the Director of Finance who acts in accordance with the previously described agreement with the GAO. The employee is notified of the decision through his component. An annual report of the activities of the board is submitted to Agency management.

Over the past several years the board has received an average of 23 new cases a year. There appears to be no pattern to the situations which led to the overpayment. A sampling of the reasons for the overpayment would include: salary based on wrong grade or step; insurance premiums not withheld; erroneous computations; and allowances paid in excess of amount authorized.

In examining the facts in each case, the board places great emphasis on whether or not the employee could or should have known about the overpayment and what was done about it. According to annual reports of board actions for the past four years, an average of 21 cases were settled with repayment waived or partially waived in an average of 17 cases totaling about \$20,000 and denied in an average of four cases totaling \$9,000. The board tends to accept an employee's statement that he did not know he was overpaid. There were 14 cases in process at the end of FY 1980.

#### Findings and Conclusions

The board is effective in getting its job done. There was a backlog of cases for a time after the former chairman retired and before a new chairman was named but, according to the secretary of the board, the backlog is cleared.

### Incomplete Information

Office of Finance personnel report that incomplete information and delays in receiving information contribute to the overpayments problem. Information must be furnished by the component and the Office of Personnel. For example, dates of arrival and departure from a field station are needed to compute various allowances accurately. To the extent that these dates are not available, the employee may be underpaid or overpaid. The problem of incomplete information is one that can be alleviated by better communications among concerned components. The Office of Finance is making an effort in this area but faces a formidable task in trying to maintain current information on the whereabouts and entitlements of thousands of employees so that each may receive a correct payment on a timely basis.

Most field stations electronically report time and attendance data each pay period via the Electronic Time and Attendance Report System (ETARS). The procedure works well and basic data is transmitted and acted upon promptly. We suggest that the Director of Finance explore the possibility of modifying ETARS so that other data pertinent to pay and allowances also can be transmitted electronically for timely action.

### Training

Payroll technicians contribute to the problem of incorrect payments of pay and allowances. Most of the technicians are inexperienced and many are working at their first full-time job. Office of Finance officials estimate that about twelve months on the job training is required before a technician becomes adept at payroll work. Unfortunately there is an annual turnover rate of about 70-75% for these relatively low-graded employees. People leave because they are shopping for a better job, become pregnant (most technicians are female), or find themselves unsuited for payroll work.

Although management recognizes that training is important, Compensation Division (the component within Office of Finance responsible for administering pay and allowances) does not have a designated training officer. Because of the stresses resulting from high turnover rate of personnel, the need to do much of the work manually and the deadlines associated with a two-week pay cycle, there is little opportunity for training. Yet the absence of training contributes to the stress as new procedures and increasing requirements to provide information bring about additional problems. For example the procedures which allows employees to work 80 hours flexitime work periods create problems which need to be overcome. Employees need to be trained to cope with new requirements. We suggest that the Director of Finance establish a training program in Compensation Division and appoint a training officer.

#### Charter, Procedures and Definition of Terms

As with the Board of Review, we found that the current board member's diverse backgrounds and perspectives provide an agreeable balance to arrive at good recommendations. Again we found missing the written philosophies, policies, guidelines to assist in the decision making process, and definition of terms to ensure consistency in rulings from year to year. Without these, the board can take on the character of its dominant member or make decisions based on personal experience. As members change so can the consistency and continuity of board decisions. We repeat our suggestion that the Deputy Director for Administration take the action necessary to have a charter for the Overpayments Review Board written and to establish procedures, philosophies, and definition of terms for board use. These should be added to the appropriate Agency regulations and handbooks and made available to all employees.

### Appeals

The regulations do not provide for an appeals process in the event an employee is dissatisfied with the recommendation of the board and the decisions based on these recommendations. On occasion, employees have appealed a denial of a request for waiver of the overpayment. The same board then meets to reconsider its recommendation but if no additional information is provided, the original recommendation stands.

Personnel who deal with overpayments have mixed views about whether there should be an appeals process. Some believe that every person should be advised of his right to appeal. Others believe that board recommendations and Office of Finance decisions should stand. One official was concerned that an employee could have use of government funds for an extended period merely by seeking a waiver or appealing an obviously erroneous overpayment. For the reasons discussed in Chapter 2 on General Observations and expanded upon in Chapter 3 on the Claims Review Board, we suggest that each employee be advised of his opportunity to request a waiver of the overpayment and of the appeal process if the waiver is denied. We are confident that appropriate terminology can be developed for the regulations which will obviate most frivolous requests.

### Time and Attendance

The Time and Attendance (T&A) reporting system, one of the most important fiscal and personnel activities in the Agency, is a prime source of payroll discrepancies and erroneous payments. Most problems stem from assigning responsibility for administering this complex system to clerical personnel who often lack the aptitude, experience, and training to handle the work. There is also the Agency's short payroll cycle, which clashes



occasionally with operational deadlines. The result is projected figures which lead to overpayments and confusing financial adjustments. Supervisors can be lax in overseeing the final product and some create errors by incorrectly advising the T&A clerks about proper procedures.

Management is attempting to improve the situation. Procedures now require supervisors to certify all T&A cards and to increase supervisory responsibility for the accuracy of the information. T&A workshops are held regularly for employees to provide a basic understanding of the system and some familiarity with the 19 different reporting procedures.

In addition to these fine-tuning measures, the Offices of Finance and Data Processing have commissioned a study team to look into ways to improve the payroll system. The team is expected to complete its work in October 1981.

#### Systemic Overpayments

The foregoing discussion centered on the work of the board. We found however that there are 300-400 cases of overpayments a year most of which are resolved within the Office of Finance and do not involve the board or the General Accounting Office. Many are predictable but because of peculiarities of the system are difficult if not impossible to avoid.

- Overpayments may occur when employees retire under the CIA Retirement and Disability System (CIARDS) and military service time is used to determine their annuity. Since 1 January 1957 military personnel have been

subject to Social Security coverage. Credit for such military service is allowed during the time the annuitant is not eligible for Social Security. The annuity is recomputed to exclude credit for the post-1956 military service if the annuitant at age 62 becomes eligible for Social Security after retirement. As an annuitant approaches age 62, a determination must be made as to his eligibility for Social Security benefits. Verification is initiated by CIARDS six months in advance of the annuitant's 62nd birthday, but frequently there are undue delays in receiving a response from the Social Security Administration (SSA). Many local SSA offices will not complete the verification form until the annuitant applies for the benefit at age 62. Only thereafter will SSA process the verification form which delays receipt of the official documents by CIARDS to authorize the adjustment in annuity on a timely basis. This results in an overpayment which the annuitant upon request usually refunds. The annuitant however, may request waiver of the recovery of the overpayments. Such waiver may be granted when, in the judgment of the Director, the individual receiving the payment is without fault and recovery would be against equity and good conscience. If the amount due does not exceed \$500, the Director of Finance (by delegation) may waive repayment; otherwise the Overpayments Review Board process is implemented. Since its inception in 1964, CIARDS has had four overpayment cases in this category before the Overpayments Review Board; in three cases the waiver was not granted and repayment made by the annuitant; one case is still pending. Currently there are about 100 CIARDS annuitants who have post-1956 military service time included in their annuities. Between 1981 and 2003 these cases will require verification of eligibility for Social Security. With an ever increasing age of the annuitant population, CIARDS is now averaging about eight verification requests per year. Although the Office of Personnel has taken steps to avoid overpayments, continued slow responses from the Social Security Administration make it unlikely that the problem will be totally eliminated.

- Overpayments also result when dependents of deceased annuitants become ineligible for benefits. This is particularly true of the 18 to 22 year old dependents who, according to the law, must be in school for their benefits to continue. Procedures require a certification of attendance from the school. But the schools generally will not certify in advance that a student is there. According to prescribed procedures, if the surviving parent reports that the child intends to go to school in September, monthly payments may continue through the summer months. Frequently the child does not return to school and a refund must be obtained.

Government Liability for  
**Personal  
Property  
Claims**

## 1. Claim Authorization

Personal property claims are authorized under the Military Personnel and Civilian Employees Claims Act of 1964, as amended.

Department of Labor is used to appreciate the claimed items to reflect current replacement costs. The depreciation guide contained in AR 27-20 is then used to establish the value of the items lost according to the number of years used to provide fair reimbursement to the claimant and a reasonable payment by the Government.

## 2. Regulations

Your office administrative section can identify the appropriate regulation which sets forth the concepts used in establishing the value of a valid personal property loss. This regulation should be read by all personnel processing for an overseas or domestic assignment to better acquaint themselves with personal property claims procedures. For your convenience, some areas of the regulation are highlighted below.

## 3. Valid Claims

For a claim to be valid, the loss, damage, or destruction must have occurred:

- a incident to service—in the performance of official duty;
- b negligence must not be involved; and
- c possession or ownership of the property must be adjudged to have been reasonable, useful, or proper.

Department of Army Regulation AR 27-20 is used as a general guideline by settlement authorities in adjudicating claims. The Consumer Price Index published by the U.S.

## 4. Maximum Payment

The law establishes the maximum amount payable for a valid claim at \$15,000; however, there is also a category limitation on specific items as noted in the Table of Maximum Allowances which is listed in the center of this pamphlet.

## 5. Immediate Relief

Immediate relief to claimants suffering a substantial personal property loss is provided for under the Advance Payments section of the regulation. A claimant's request for an advance should be made in writing and submitted through administrative channels. This request must include a statement agreeing to refund any or all of the advance payment to conform with the final settlement amount.

## 6. Questions

Any questions may be directed to your administrative officer or the claims officer.

Note: Although failure to carry insurance does not affect the validity of a claim, it is advisable to insure items of extraordinary (high value) value since, as noted below, there are monetary limitations for certain items and categories

<b>Air Conditioners</b>	\$ 750.00 per item
<b>Antiques</b>	500.00 per item 3,000.00 per claim
<b>Automobiles</b> and all motor vehicles including motor cycles. Does not include mobile homes. Does not apply to automobiles when vehicle is shipped pursuant to orders. (A maximum payment limitation of \$10,000 is applicable to motor vehicles, mobile recreational vehicles, etc., damaged, destroyed, or missing during Government authorized transportation)	1,000.00 per claim
<b>Bed Spreads</b> (Heirloom or crocheted)	250.00 per item
<b>Boating Equipment and Supplies</b>	500.00 per claim
<b>Books</b>	1,800.00 per claim
<b>Cameras</b> , Photographic Equipment (and extra lenses)	1,500.00 per claim
<b>Chandeliers</b>	350.00 per item 700.00 per claim
<b>Chess Sets</b>	\$ 350.00 per claim
<b>China</b> (fine) To be fine china, a five-piece place setting must have a value of at least \$50.00	1,500.00 per claim
<b>Clocks</b> (grandfather & grandmother)	1,000.00 per claim
<b>Clothing</b> Birth through age 6 Age 7 through age 14 Age 15 through and including age 17 Age 18 and over	350.00 per person 750.00 per person 1,500.00 per person 2,500.00 per person
<b>Collections</b>	1,500.00 for either combination of collections or collections of whole family
<b>Crystal</b>	1,500.00 per claim
<b>Drawing, Mapping and Sketching</b>	500.00 per claim
<b>Electrical, Gas and other Major Appliances</b>	750.00 per item
<b>Elephants</b> , ceramic	75.00 each; maximum of four
<b>Firearms</b> Subject to maximums for collections	350.00 per item 1,500.00 per claim
<b>Foodstuffs</b>	100.00 non-perishable in shipment
<b>Furniture</b> Sectional Sofa	1,000.00 per item 1,500.00 per complete item
<b>Furs</b>	750.00 per item

<b>Hi-Fi and Stereo Systems and Components</b> (including Tape Recorders)	\$ 750.00 per item 1,500.00 per claim
<b>Hobbies</b>	1,500.00 per combination of hobbies or a family hobby
<b>Costume Jewelry</b> (\$100.00 or less per item) Lost in transit Lost under other circumstances	250.00 per claim 500.00 per claim
<b>Jewelry</b> other than costume (over \$100.00 per item)	1,000.00 per claim
<b>Linens</b> (fine)	750.00 per claim for handmade or manufactured crocheted spreads, quilts, or tablecloths. 250.00 per item
<b>Memorabilia</b>	500.00 per claim
<b>Musical Instruments</b> Pianos, Organs, and Player Pianos All other musical instruments	2,500.00 per item 1,000.00 per claim
<b>Objects of Art, Sculpture, Figurines, etc.</b> (Does not include paintings)	350.00 per item 1,000.00 per claim
<b>Paintings and Pictures</b>	350.00 per item 1,250.00 per claim
<b>Photographic Equipment</b>	350.00 per item 1,500.00 per claim
<b>Pipes (smoking)</b> including pouches	25.00 per item
<b>Pool Tables</b>	\$1,000.00 per claim
<b>Professional Equipment</b> Dental and Medical	1,500.00 per claim
<b>Records</b> (other than in Automobiles) collection Maximum	1,500.00 per family collection
<b>Rugs</b>	3,000.00 per claim
<b>Schrank</b> (German cabinet or closet)	1,500.00 per claim
<b>Screens, Fireplace, Room Dividers, etc.</b>	350.00 per item 750.00 per claim
<b>Silverware</b> (Sterling—does not include silverplate)	3,000.00 per claim for all sterling silver
<b>Sporting Equipment and Supplies</b>	1,500.00 per claim
<b>Thesis and Lecture Notes</b>	(Cost of materials only)
<b>Tools (all types)</b>	1,000.00 per claim
<b>Tools</b> shipped in Automobile	100.00 per claim
<b>Toys</b>	500.00 per claim
<b>Watches</b>	150.00 per item
<b>Wedding Albums</b>	250.00 per claim
<b>Wigs</b>	500.00 per claim

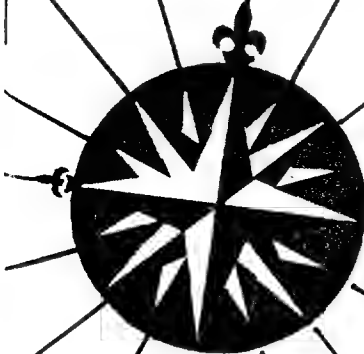
This pamphlet is provided for your general information;  
however, regulations and allowances are subject to  
change.

B

INTERNATIONALINSURANCEINTERNATIONALINSURANCE

# International Insurance

for the  
FEDERAL EMPLOYEE



INTERNATIONALINSURANCEINTERNATIONALINSURANCE

B

Written for the Federal Service  
by  
H. Colton Montague

Illustrated By  
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.....  
We gratefully acknowledge the constructive suggestions made by the following organizations during the course of text preparation:

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### The Federal Employee's Need for International Insurance

Employees on overseas assignments have frequently sustained loss of or damage to household effects, automobiles, and other personal belongings. Recognizing this the Government has provided certain compensations for such losses or damages which are *incident to an employee's Government service*. This has been done through the Military Personnel and Civilian Employees Claims Act of 1964, as amended. The act, however, was not designed to repay all claims of loss or damage and is, therefore, subject to a number of limitations. For example, the maximum amount payable under this law is \$15,000, even though the loss or damage may be greater than this amount.\* In addition compensation may not be paid for loss or damage to easily pilferable articles or small articles of substantial value which are usually worn or carried (such as jewelry, cameras, watches, and binoculars), when such articles are shipped with household goods or unaccompanied baggage. Further, the act does not provide coverage while the employee is traveling without orders (vacation, etc.), or for loss resulting from the *negligent or wrongful act* of the claimant or his agent, family member, or private employee. The act also takes into account only that property the *possession of which is determined to be reasonable, useful or proper under the circumstances*. Maximum

\* Proposed legislation under current consideration would increase the maximum amount payable throughout the Federal service for both civilian and military personnel to \$25,000.

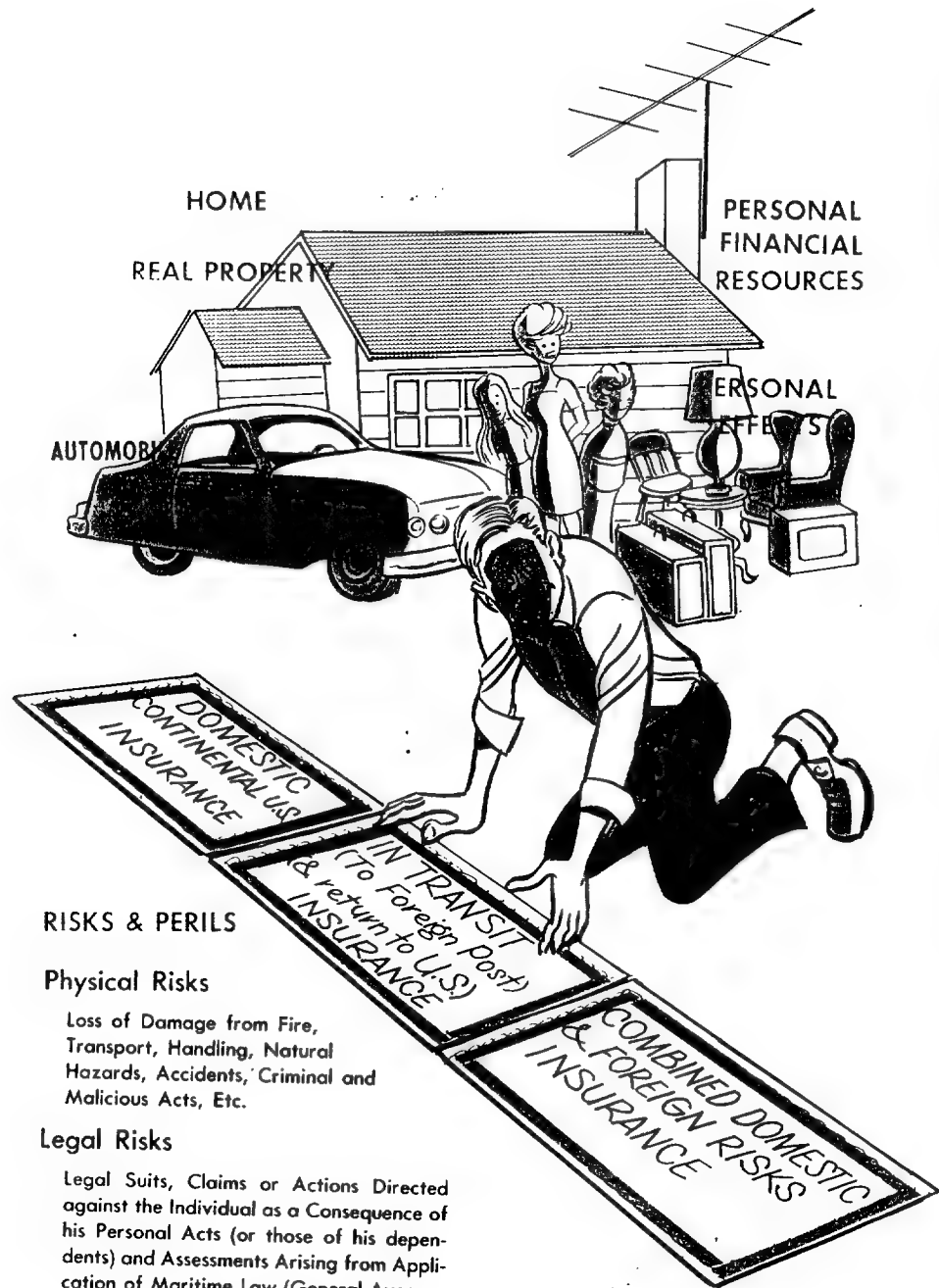
amounts allowable have been established for specific categories and types of property. Consideration must be given also to the fact that depreciation is a factor in determining amounts to which one may be entitled for loss of or damage to personal property.

Recognizing the various limitations under the Military Personnel and Civilian Employees Claims Act of 1964, as amended, individuals are encouraged to purchase commercial insurance in types and amounts to meet their insurance needs. Complete details concerning available types of insurance and rates may be obtained from insurance agents and brokers who have had wide experience in overseas insurance programs or from underwriters with overseas divisions.

The various types of DOMESTIC insurance policies normally purchased by individuals seldom extend protection to the insured beyond the continental limits of the United States. New or amended policies providing coverage in foreign countries are, therefore, essential if the individual desires continued insurance protection while traveling and residing abroad.

INTERNATIONAL insurance protection must be purchased from agents, brokers or underwriters who offer insurance protection on a worldwide basis. Companies of this type usually maintain field offices, representatives, and claim adjusters in major foreign countries. In smaller countries where it is not economical to maintain representation, claims of policyholders are usually handled effectively by airmail correspondence.

B



## RISKS & PERILS

### Physical Risks

Loss of Damage from Fire, Transport, Handling, Natural Hazards, Accidents, Criminal and Malicious Acts, Etc.

### Legal Risks

Legal Suits, Claims or Actions Directed against the Individual as a Consequence of his Personal Acts (or those of his dependents) and Assessments Arising from Application of Maritime Law (General Average & Salvage).

### Risks Related to Foreign Travel or Residence

The individual seeking insurance protection against adversities which could directly or indirectly result from foreign travel or residence should bear in mind that the specific risks with which he is concerned vary greatly from one foreign country or area to another. Therefore, prior to purchasing insurance applicable to overseas travel, the prospective traveler should make a personal assessment of the foreign area(s) in question. This review can be based on available post reports, discussion of the matter with an international insurance representative, and questions put to other persons who have recently returned from the area. Examples of some of the major risks warranting careful consideration are presented below:

(a) The transportation of personal property involves an almost unlimited range of risks which the shipper is powerless to prevent or alleviate. The full cycle of movement involves packing and crating, varied means of transport, standby-storage, loading and unloading, and eventual transfer to a foreign residence.

(b) Maritime insurance laws may cause an individual shipper to be subject to general average and salvage claims, causing him to suffer an unexpected financial setback or temporary impounding of his property unless he is protected against this contingency by a clause in his insurance policy (see section entitled "General Average and Salvage," page 10).

(c) In some foreign countries, a fire originating in the abode of one person which causes damage to adjoining structures may cause that person to be

liable for all damages or loss which results. International personal liability insurance can be written to protect the insured against this risk.

(d) In many countries, automobile owners are required to carry adequate liability insurance for personal injury and property damage which might result from operation of their cars. Foreign customs officers may deny entry or impound an automobile which is not so insured (see section entitled "International Automobile Insurance," page 12).

(e) In a foreign country, the risk of loss from theft, pilferage, larceny and other criminal acts is often inversely proportional to the country's level of prosperity. Added caution should be exercised in protecting and safeguarding property in an area where the level of prosperity is low since a high frequency of loss may endanger one's insurability:



... the legal risk is often accentuated.

(f) Damages to or loss of property or life caused by an individual's personal acts or activities may subject him to various types of liability claims. Ignorance of foreign laws and practices tends to enlarge such risks. Then, too, this risk is often accentuated by prejudice against the "American."

### **International Insurance for Personal Property (excluding Automobiles)**

An individual's household goods and personal effects usually represent a major investment, the loss of which would cause severe financial hardship. The risks to which personal property is subjected while being transported overseas or to storage and during the period of overseas residence are greatly increased. The property is handled and packed by the employees of numerous packing, transfer, steamship and railway companies and is continuously exposed to risks of theft, damage, fire and mysterious disappearance. Adequate insurance, therefore, to protect this property is of primary concern to Federal employees scheduled for foreign assignments.

#### **A. Storage**

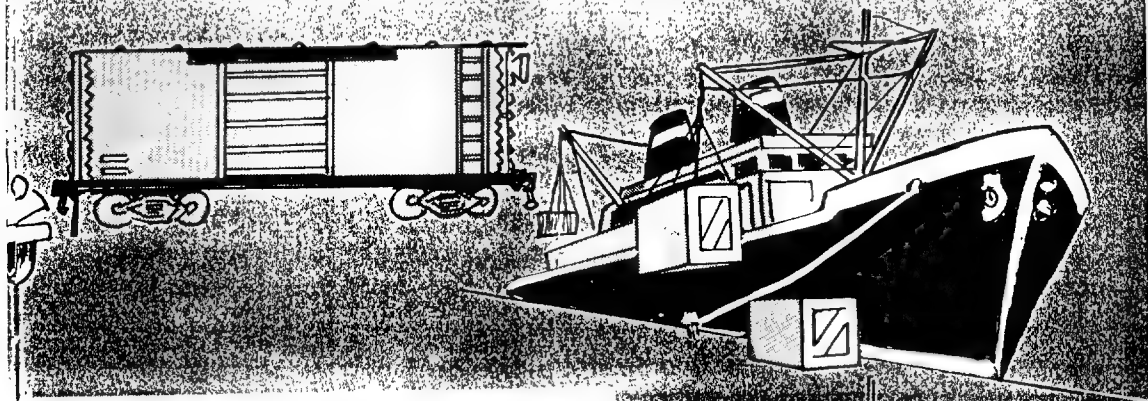
The transfer of all or part of an individual's personal property into the custody of a commercial warehouse rarely provides the individual with adequate protection against loss or damage. The owner continues to bear the major risk of loss or damage to his property even though the loss occurs while property is in storage under circumstances over which he has no direct

control. In facing this risk, an individual has the following alternatives:

In the event of loss or damage, he may place his trust in obtaining a just settlement from the storage company based on the legal liabilities normally accepted in warehousing. If total recovery of loss or damage is expected, the property owner would have to prove gross negligence on the part of the storage company, obtain the services of a legal counselor, take his case to court, and win in order to enjoy total reimbursement. Since a property owner's chances of finding positive proof of gross negligence are slight, the owner usually has to settle for negligence occurring during the normal course of storage handling and operations, for which the normal rate of reimbursement is sixty cents (60¢) per pound of stored goods. If a warehouse fire resulted from arson, the storage company would probably not be held liable for any loss or damage suffered by property owners.

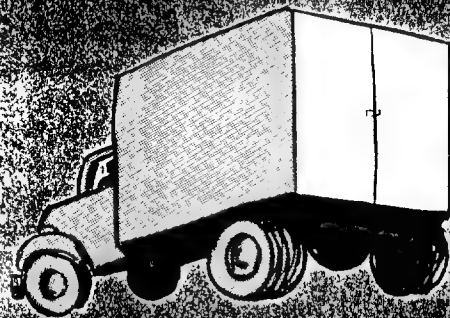
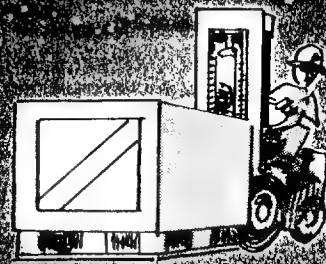
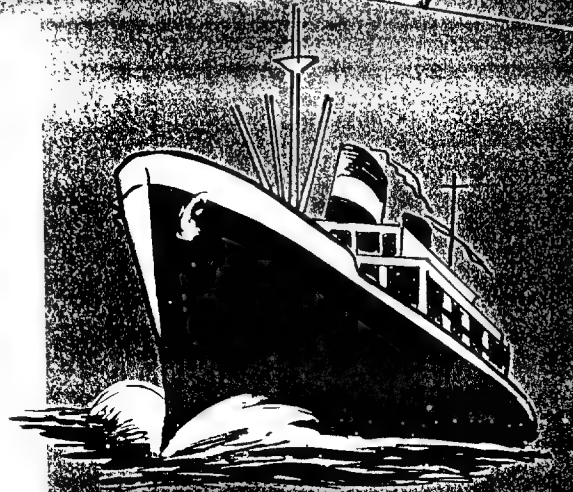
In lieu of attempting to negotiate with a storage company for reimbursement of property loss or damage which results from company negligence, the property owner can purchase insurance protection by means of a separate policy, an amendment to his current insurance policy, or possibly as a part of one of the "Floater Policies" described later. If insurance is purchased from





the storage company it is well to make sure that the storage company is acting as agent for an insurance company and not underwriting the insurance itself. In each case, the property owner can be afforded reliable protection through a third party, namely the insurance underwriter, who is bound by his insurance contract to reimburse the owner for loss or damage specifically listed in the terms of the policy. Third party protection is positive, it provides fairly rapid and effective settlement of claims, and transfers responsibility for any desired legal action to a party other than the property owner.

Federal employees who have insurance policies to cover their personal property within their DOMESTIC residence from theft, fire, and extended coverage (damage or destruction from smoke, explosion, natural hazards, etc.) will find that some domestic insurance companies will permit converted policies to cover the owner's property while it is in domestic storage if timely notification is made to the company. Since the coverage and rates of such policies are related to the insured's place of residence, the policies generally have to be *amended or rewritten to provide coverage* for personal property in a specific warehouse. Warehouses are inspected and rated by underwriters, on a national basis, and such ratings are



used to determine the cost of premiums. An increased premium or a premium refund may result.

Whether an individual insures personal property in storage by amendment and continuation of his domestic insurance policies or by purchase of a "Floater Policy" which includes storage of personal property, he should be aware of a factor known as coinsurance.

#### B. Coinsurance

Coinsurance may be illustrated by the case of an individual who purchases \$3,000 of insurance to protect \$10,000 of property. In the event loss or damage is suffered which amounts to \$3,000 of the total value of \$10,000, the policyholder may discover that he is entitled only to \$900 reimbursement (three-tenths of the loss) even though he sustained a \$3,000 loss. Coinsurance im-

plies that if the insured is willing to insure only three-tenths of the total value of his personal property, then the underwriter, in turn, is willing to assume responsibility for only three-tenths of any loss a policyholder may suffer. Coinsurance clauses are often encountered in fire insurance and other policies designed to protect property in storage.

If the individual is not willing to accept the limitations of coinsurance, he should request a full coverage contract. Most underwriters grant full coverage and require that the total or near total value of the goods be insured against loss or damage.

#### C. Inventory

To establish a sound basis for possible future claims, the property owner should prepare a comprehensive inven-



... an individual will be well advised to personally supervise the packing and inventoring of his more valuable property.

tory of his household goods and personal effects. The inventory should list dates of purchase and the amount paid for the various items. For such items as fine jewelry, art objects, and antiques, an appraisal of fair market value is usually preferable to using cost prices. Sales and appraisal slips should be attached to the inventory.

An inventory will be prepared by the packers at the time that the effects are being prepared for overseas shipment. This inventory of property serves as a detailed receipt of the property surrendered to a shipping authority or storage company. If packers are permitted to make an inadequate or incomplete inventory, the shipping company may very likely deny liability for missing items since there will be no basis to substantiate the claim. A dishonest packer can easily misappropriate and fail to inventory valuable items of property. For these reasons, an individual will be well advised to personally supervise the packing and inventorying of his more valuable property, especially items of small size and high value. Copies of inventories signed by the shipping company representatives should be carefully retained until full delivery has been made and all claims settled.

#### D. The Floater Policy

One of the more effective types of international personal property insurance is termed the "Floater Policy." This form of insurance contract protects the property of the insured anywhere in the world (i.e., at any place of domicile excluding U.S. residence, while in transit, or, if specified, during warehouse storage). In contrast, non-

floaters personal property policies usually limit coverage to a specified location.

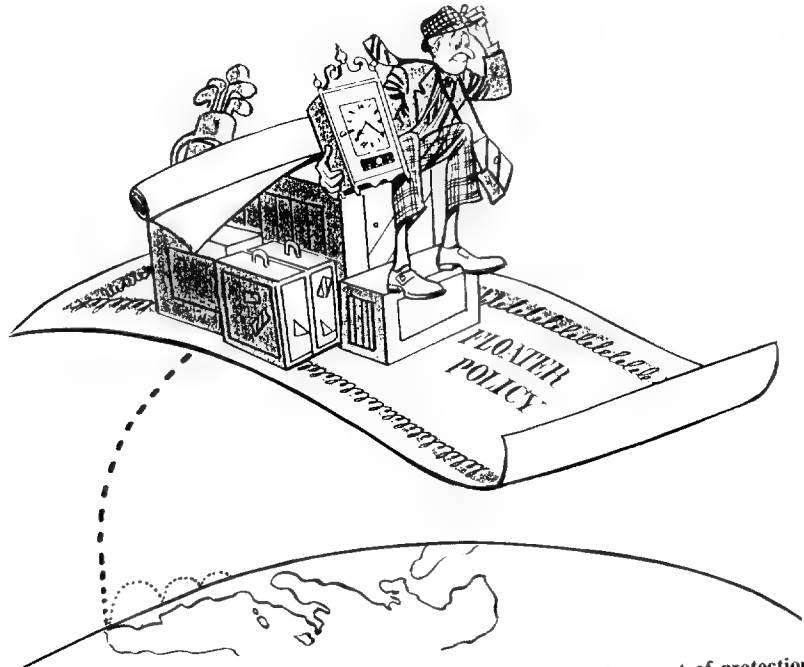
The "All Risk Floater Policy" provides the insured with the greatest amount of protection. Rather than name the perils which are insured against, the policy limits or excludes those for which the insurance company does not assume responsibility. For example, if it does not list flood under "exclusions," protection is provided against this peril. If there are only a reasonable number of exclusions, the policy will give excellent protection. The standard exclusions found in most "All Risk Floater Policies" are war, invasion, insurrection, atomic fission, gradual deterioration, moth, vermin, and inherent defects in the property.

The "All Risk Floater Policy" is generally offered by insurance firms with a deductible clause which may vary from \$50 to \$100 for each occurrence. In the event of any loss or damage, the amount of the deductible stated in the insurance policy would be automatically subtracted from the approved claim. Most companies are loathe to handle small claims because of the administrative expense required to process them. The main purpose of this form of insurance protection is to provide assurance against large or heavy loss or damage which would cause financial hardship.

#### E. Term Economies

Since most overseas tours are for two or more years, it can be to your advantage to insure for a period of three years since there is often a savings in premium rate and a continuing need for insurance against the fact that a person's possessions usually follow after his departure from an overseas post [ex-





The "All Risk Floater Policy" provides the insured with the greatest amount of protection.

tending the insurance requirement past [the two year tour]. During the period of insurance, policy coverages can be modified, cancelled, reinstated, etc., in cooperation with the insurance representative. In almost every instance, a refund of the unused portion of the premium can be obtained on an appropriate basis when a policy is no longer needed. Thus, a three year policy may cost less, provide flexibility, and ensure against inadvertent lapse in coverage through oversight.

NOTE.—Refer to pages 17-21 for a "Summary of Basic Policies—International Personal Property Insurance."

### Marine Automobile Insurance

Marine automobile insurance protects the insured against direct and acciden-

tal loss of or damage to his automobile from external cause while the automobile is in ocean transit. The coverage begins at the time the automobile is delivered into the custody of the shipping company or port authorities and terminates when the automobile is landed, plus 72 hours on the dock or until driven away, whichever is sooner. In some instances, policies limit coverage *after delivery to the dock by the insured or his agent to 72 hours*. The time limit can often be waived with a minimal additional premium. Supplemental transportation to or from the dock by rail, truck, or other means requires additional insurance.

The protective features, availability, and premium rates charged for marine automobile insurance are factors subject to considerable variation among different underwriters and insurance

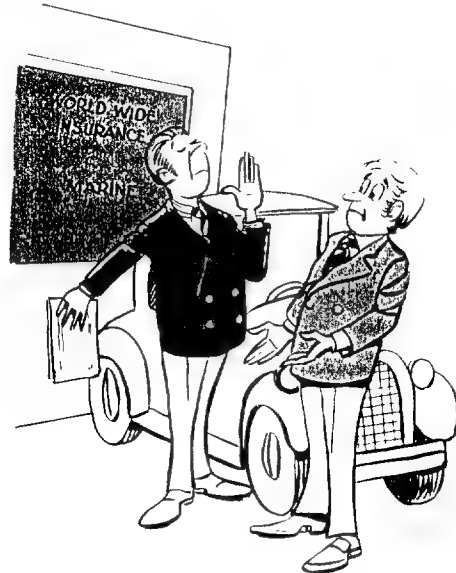
companies. They also vary with the circumstances for which the insurance is written. The following points, however, illustrate general practices:

(a) Protection or coverage offered

In the case of an automobile less than four (4) years old, international underwriters and insurance companies generally offer all risk protection to the owner. They will reimburse him for any loss or damage incurred during ocean transit unless specifically excluded in the terms of the insurance contract. The owner is also protected against possible assessments which could result from application of maritime insurance laws (e.g., general average and salvage).

Although automobiles five (5) and six (6) years old can be protected with marine automobile insurance, they are often restricted to coverage under a policy termed "F.P.A." (free of particular average). F.P.A. means that under normal shipping conditions, the owner is protected only against total loss and general average assessments. If, however, the vessel is stranded, sunk, or suffers fire or collision, the policyholder is repaid for loss or damage in a manner similar to the reimbursement he would receive if he had an all risk policy less any assessments which might be levied because of maritime insurance law. In effect, owners of automobiles restricted to F.P.A. type of insurance have no protection against damages which might occur during the normal course of ocean shipment and handling.

Automobiles over six (6) years old may not be insurable for marine shipment with some insurance companies. In other instances, the value and identity, not age, may determine insurability [Example—minimum value of \$1,000



Automobiles over six years of age may not be insurable for marine shipment.

or more]. Because of variations in the insurance industry, the age factor should be explored by persons who need marine coverage for the older car.

(b) Some underwriters have now combined marine automobile coverage with international automobile operating or land insurance. This practice may make it difficult to purchase marine automobile insurance separately without obtaining the additional, standard types of operating insurance simultaneously. From a general coverage standpoint, however, a combined policy has many advantages in that it protects the insured from the time his car is released to shipping authorities to the time he returns to the United States with no lapses in coverage. If an individual obtained marine insurance only, it would be necessary for him to arrange for additional operating insurance which would be in effect the moment his car was landed at a port of debarkation as

protection against collision, comprehensive loss or damage from perils other than collision, and particularly public liability involving bodily injury or property damage.

(c) The variation in premium rates charged for marine automobile insurance is warranted by the differing conditions and facilities in various foreign countries, particularly in relation to conditions and facilities at ports of debarkation, the necessity for unloading cars by lighter or other landing craft, and the need for transshipment of automobiles, by varying means, to a receiving area.

Prospective policyholders should keep the following points in mind when purchasing marine automobile insurance:

(a) A policy offering marine coverage does not protect the insured in the United States even when purchased prior to departure. An automobile owner should ensure that domestic automobile insurance is continued up to and somewhat beyond the expected date of departure to protect against the unexpected.

(b) The marine features of policies offered by most underwriters are effective only when an automobile is shipped below deck or crated in an approved manner. The owner, therefore, should first determine the mode of shipment and then ensure that appropriate coverage is obtained.

(c) Most marine automobile insurance policies offer protection against assessments arising from general average and salvage. This feature should be investigated, however, to determine that such coverage is written into the policy.

(d) Because of the mandatory insurance requirements of many foreign

countries, an automobile owner should consider broad international insurance which will protect him during shipment and subsequent operation of his car overseas with no time lapse in coverage.

### **General Average and Salvage**

In accordance with maritime insurance law, the owners of cargo which is destroyed or damaged under conditions of common peril will be compensated by contributions from all participants in the voyage. When a ship is in peril, the ship's master may, on occasion, be forced to jettison or sacrifice cargo, without discrimination, for the mutual protection of all interests (the owners of the ship and owners of the freight or cargo). Since it is desirable that all parties concerned be placed in the same or equivalent position, in the time of common peril, the material values saved as well as lost or sacrificed are combined to provide the basis for computing a general average loss, a loss which is averaged and shared on a mutual basis.

In applying general average, the term "peril" includes factors other than jettisoning. For example, the cost of repairing an engine, damaged by excessive use in freeing a ship forced aground during a storm, may be assessed proportionately against all shippers using the vessel. Or if water or chemicals are used to extinguish a fire in one hold, the cost of damage to the ship or cargo is often assessed against the owners of the remaining cargo which is not damaged because the remaining cargo would have been jeopardized if the fire had not been confined and brought under control.

Salvage, as it affects general average, has two meanings. The first is the salvage of value resulting from the recovery, reconditioning and sale of damaged goods. The proceeds gained from such sales are subtracted from the total loss and serve to reduce the amount of general average assessment levied against the shippers and the vessel's owner. The second is the cost of marine salvage operations incurred in saving ships and their cargoes from peril and impending loss at sea. The salvager is not only reimbursed for such costs but is granted an award for his effort. The amount or cost of a salvage operation is added to the loss when general average assessments are levied.

In each instance in which the procedure is applicable, a general average adjuster takes charge of compiling a report of the circumstances, calculating the loss versus the total values, assuring completion of a general average bond (an agreement by all parties to share loss), and obtaining security from each party in the form of cash, the guarantee of an insurance underwriter, or the holding of goods as collateral. This is usually a lengthy process and the individual cannot obtain possession of his property until he posts collateral nor will he be paid for loss or damage until the total assessment has been computed and funds are available for distribution.

The U.S. Government has undertaken to reimburse the Government employee against contributions or assessments levied against him resulting from the shipment of any personal property specifically authorized to be transported at Government expense by law or regulation pursuant to law. This protection is provided for in Executive Order No.

10614. The provisions of the order, however, do NOT apply:

(a) In case the shipment of household goods is made under law or regulation pursuant to law which provides for reimbursement to the military person or civilian employee concerned on a commuted basis in lieu of payment by the Government of the actual costs of the shipment;

(b) In case the military person or civilian employee concerned has himself selected the means of shipment; or

(c) To quantities of household goods (excluding automobiles) shipped in excess of quantities authorized to be transported by law or regulation pursuant to law. In any case of such excess shipment, the liability of the Government for the employee's general-average contribution shall not exceed the proportion that the applicable limitation, by weight or volume, bears to the total quantity, by weight or volume, of the household goods shipped.

Notwithstanding the protection afforded by the Government, the traveler will find that some floater policies and marine automobile insurance policies routinely incorporate "General Average" protections without additional or identifiable cost. This protection is very worthwhile since the insurance policy itself usually acts as collateral, provides for completion of all paperwork by the insurance company, and assures prompt payment for loss or damage to the employee's property or prompt release of the employee's undamaged property. For these reasons, and to ensure protection should any of the limitations in the Executive order apply, the traveler should at least consider the desirability of obtaining general average coverage in planning his insurance protection

against the other types of losses which may be suffered in the shipment of personal property.

### International Automobile Insurance

As noted in the section "Risks Related to Foreign Travel or Residence," many foreign countries *have laws which make the purchase of automobile liability insurance mandatory.*

For employees being assigned to Europe, international insurance underwriters issue a "Carte Internationale d'Assurance Automobile" or "International Motor Insurance Card," usually referred to as the "green card," which attests to the fact that the policyholder has complied with mandatory insurance requirements. The card carries a registered serial number, data concerning the insured and his automobile, and specifies the countries in which the insurance is effective. Some countries

may require that the card be surrendered at the frontier post while other countries permit the individual to retain the card in his possession during the course of his travel or residence in the foreign country.

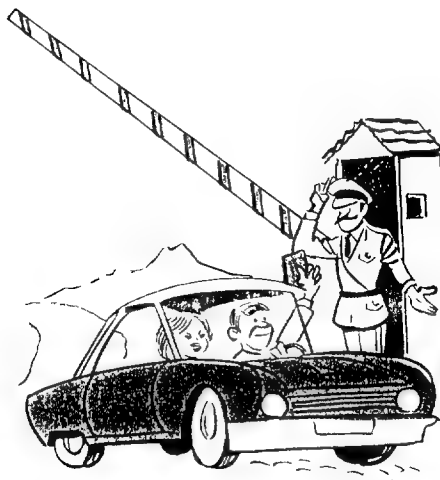
Some countries in Europe as well as others throughout the world may require additional documentation as evidence of compliance with mandatory insurance requirements. Insurance agents and brokers can provide employees with complete details concerning these special requirements and arrange for appropriate documentation.

The types of international automobile insurance available are equivalent to domestic policies. International policies may be written to provide protection against public liability (bodily injury and property damage), comprehensive damage, collision and basic or extended medical payments to protect the driver and passengers. The three broad options available to employees for the purchase of automobile insurance are:

(a) *Package Automobile Policy.*—It is possible to purchase from a United States company one policy which provides coverage against all risks of loss or damage to the automobile. This includes marine coverage from the port of origin to final destination (see paragraph (b), page 9. It also includes coverage while at the overseas post. (Many countries of the world require that liability insurance be purchased from a local firm.)

(b) *Two Separate Policies.*—The following two types of policies may be purchased from U.S. insurance companies:

(1) Marine policy which provides protection from the U.S. port to the destination port.



... the green card attests to the fact that the policyholder has complied with mandatory insurance requirements.

(2) Standard policy to provide protection from the date of arrival of the automobile at the destination port and cessation of the marine coverage.

(c) *Marine Insurance Only.* Marine insurance may be purchased from a U.S. company to provide coverage from the date of shipment of the automobile from the U.S. port and terminates when the automobile is landed plus 72 hours on the dock or until driven away, whichever is sooner. Regular insurance to be effective the day the ship docks may be purchased at the post from a local agent (from approved U.S. Embassy-USAID list). (See page 15, "Insurance Purchased From Foreign Companies or Underwriters.")

As in the case of domestic automobile insurance, the applicant must meet certain eligibility requirements before an international policy will be issued. Many underwriters will NOT insure persons if they have had more than two (2) accidents during the prior two (2) year period of driving, are above or below specified age levels, have had their driver's permit revoked, or are defendants in a legal liability suit. Requirements, however, vary from company to company with some require-

ments being relatively standard. The average, safe driver will have no difficulty meeting prerequisites.

International insurance companies reserve the right to cancel an individual's automobile insurance. Cancellation most frequently results from specified types or sequences of traffic accidents. An example of how some insurance companies may classify accidents is as follows:

*Type A.*—No fault of the insured.

*Type B.*—Fault of the insured but NOT the result of criminal negligence.

*Type C.* Attributable to criminal negligence, drunken driving, etc., on the part of the insured, or leaving the scene of an accident (fleeing from responsibility).

Action taken to cancel insurance (as a rule):

*Type A or B.*—First accident; no action taken, record made.

*Type B and several Type A.*—Evaluation made of individual policyholder; could result in cancellation or nonrenewal.

*Type C.*—Immediate cancellation; little chance of regaining insurance with any underwriter.

### **Personal Liability—An Interrelated Domestic/ International Risk**

Under the laws of most countries and under varying conditions, an individual may be held legally responsible to other persons for bodily injury or damage to their property. The principal situations from which this legal liability arise are as follows:

(a) Legal responsibility by reason of being the owner or lessor of a residence and related real estate upon which persons claim to have suffered damages.

(b) Legal responsibility for personal injury or damage to the property of others by reason of negligent acts of an individual, his dependents or animals owned by him.

(c) Legal responsibility to servants or other employees injured in the performance of duties; a responsibility inherent in the employer-employee relationship. Federal employees traveling abroad face increased personal liability risks. This amplification of risk is the result of:

(a) The increase in the number of legal jurisdictions within which legal action may be brought against the individual. A U.S. citizen can be sued in U.S. courts for injuries or damages allegedly caused abroad or may be sued in the courts of the foreign country of temporary residence.

(b) The concurrent ownership or lessorship of real estate, both in the United States and at the foreign post.

(c) Lack of awareness of local laws and resulting violation thereof, creating prima facie evidence of negligence.

(d) Lack of awareness of foreign legal processes resulting in failure to respond properly thereto, leading to judgments by default.

(e) The greater utilization of personal servants abroad.

(f) The possibility of bias on the part of foreign nationals, witnesses, and courts against the "American."

In view of the above, it is important that an individual scheduled for foreign assignment consider his need for comprehensive personal liability insurance that will protect him in various situations he may encounter. An insurance contract or policy routinely purchased for domestic protection may, in certain instances, have to be exchanged for a comparable international policy if the insured desires to safeguard himself against the increased and interrelated domestic/international risks. At the same time, an *owners, landlords and tenants policy* may be needed to protect the owner from suits arising from his ownership of property in the U.S. during his absence (the regular fire and extended coverage policy protecting only against property loss and damage—NOT liability claims).

At foreign posts where servants are hired, a desirable form of comprehensive personal liability insurance is the type which provides medical payments to the third party injured on or about the premises occupied by the insured. If a servant falls, suffers a severe cut or other injury, this type of policy will usually pay up to \$250 for any medical expenses resulting therefrom.

### Insurance Purchased From Foreign Companies or Underwriters

Insurance protection for the traveler is not necessarily limited to policies obtainable from U.S. insurance companies underwriting international policies. Federal employees overseas generally find that insurance is readily available from local, foreign companies. *However*, certain features of foreign company insurance must be considered:

(a) Policies may be written in a foreign language in foreign legal terminology. They may be difficult to translate unless the services of a language expert (with legal training) are immediately available.

(b) Foreign company policies may limit the degree and type of protection offered to the insured. Such policies

may NOT be effective beyond the boundaries of the country in which the insurance is issued.

(c) A foreign insurance company may NOT be bound by the strict ethics or legal requirements which govern reliable U.S. insurance underwriters. In some instances Federal employees have found that certain non-American companies are evasive, hardheaded in respect to claim settlement, tend to seek technical loopholes, etc. Although this factor certainly is NOT universal among all non-U.S. underwriters, individuals should check carefully before purchasing said insurance.

(d) Persons traveling to an overseas area where there are many other Americans should determine whether or not personal liability and automobile liability policies which they contemplate purchasing from a foreign insur-



... policies may be written in a foreign language in foreign terminology.



ance firm will protect them in the United States as well as the country in which the policy is issued. If an individual is held legally liable for personal injury or damage suffered by another American, he may be faced with a civil suit for damages *when he returns to the United States* and subsequently find he is NOT protected by a policy issued by a foreign company.

Many foreign countries require automobile owners to purchase automobile liability insurance locally, i.e., from an insurance company having its home office within the country concerned. In recognition of this fact, many American underwriters offer "excess liability" in-

surance to protect the operator against any nonprotective features which may be inherent in policies sold by local foreign companies.

Although various negative factors have been emphasized above, recognition must be given to the fact that there are reliable non-U.S. insurance companies which offer excellent insurance protection to the American traveler. Individuals who desire to investigate the desirability of purchasing insurance from non-U.S. companies will find that one of their best sources of information is the experience of other American citizens who have lived in a particular foreign country for several years.

### Claims

When a loss has been incurred, the employee should contact his administrative officer or other appropriate official at the overseas post for advice concerning whether or not he is eligible to file a claim under the Military Personnel and Civilian Employees Claims Act of 1964, as amended.

The employee should check his insurance policies to ascertain his duties in the event of a loss. Most policies require that the following things be done promptly:

- (a) Notify local authorities and, if possible, get copy of police report for thefts and vandalism.
- (b) Notify local insurance claims agent or, if none available or designated, notify the insurance agent or company from whom you purchased your policy originally.
- (c) Advise carrier or shipper, when appropriate.

Summary of Policies - International Personal  
Life Insurance

B

## Government Service Floater (Personal Property)

### CIRCUMSTANCES

1. You are being processed for overseas assignment.
2. You desire to consolidate extensive fire, theft and other personal property protection at the overseas location with protection during transportation.
3. You are subject to reassignment while overseas, additional goods or property may be shipped at a later date, or travel or residence may not be limited to one country.

### PROTECTION OFFERED

1. Protection of most personal property in-transit including household goods and unaccompanied baggage under a bill of lading. Protection is "residence-to-residence" and *may* include breakage, marring and scratching; generally on a \$50 to \$100 deductible basis (varies among insurance companies).
2. Protection of most property *in your foreign residence* against criminal acts, natural hazards, fire and similar perils.

### YOU ARE NOT PROTECTED AGAINST

1. First \$50 to \$100 of any loss (varies from company to company).
2. Loss of money, personal papers, tickets, animals, etc.
3. Loss or damage to automobiles, automobile accessories, and other conveyances.
4. Loss or damage to personal property remaining in the U.S., at your U.S. residence or in storage. *There can be exceptions to this exclusion—ask your agent or broker.*
5. War, civil strife, insurrection, riot, and related risks.
6. Loss of personal effects *accompanying* the insured or members of his family. Again, there may be exceptions to this exclusion—ask your agent or broker.

### APPROXIMATE RATE SCHEDULE

On a 1-year term policy.

\$2.30 to \$2.50 per \$100 of coverage depending on amount purchased (example: \$117.50 for \$5,000 coverage).

There are definite savings generally available for pre-payment of premiums for *two and three* year policies. Example: \$5,000 coverage=\$117.50 for 1-year or \$293.75 for 3-year; a savings of \$58.75 for pre-payment on 3 year policy.

Minimum premium is usually \$50.

### Personal Property Floater

1. You are on domestic assignment but are subject to foreign assignment as a regular part of your appointment and you wish to be covered at all times, at home and abroad.

--OR--

You are scheduled or being processed for overseas assignment.

[... see footnote]

2. You wish to obtain very broad and extensive insurance protection of personal property owned, used or worn by yourself or immediate members of your family with limited coverage for guests.
3. You wish to have a policy to which special endorsements can be added to fully protect special articles or provide coverage in "other than normal" circumstances.

1. All risk protection against all perils in all circumstances (unless specifically excluded by terms of the policy) of personal property at a foreign residence, a U.S. residence, in transit, during travel in foreign countries, and while in U.S. or foreign storage. Coverage is afforded to the insured, his immediate family, and guests [the latter subject to certain limitations].

[... see footnote]

NOTE: Separate marine certificates may be required by some companies for *ocean* transport of unaccompanied baggage or bulk shipment of household good.

1. First \$50 to \$100 of any loss (varies with underwriters).
2. Loss or damage of property under circumstances noted in the "Exclusions" section of the policy.
3. Loss or damage to automobiles and other conveyances.
4. Loss or damage to articles used for business or professional purposes by the insured.
5. War, civil strife, insurrection, riot and related risks (although some policies afford selective protection in these instances).

1. ANNUAL PREMIUMS range from \$11 to \$30 per \$1,000 of coverage among the various underwriters.

Minimum amount of insurance required ranges from \$4,000 to \$7,500 of coverage.

Some companies have rate categories for various countries by which they determine the amount of the premium. Other underwriters have one premium rate worldwide.

NOTE: There are several versions of personal property floaters—they vary principally in the locations in which they are effective. Some are worldwide without qualification and others limit coverage to locations outside the United States or to specified groups of countries. These options can be explored with insurance brokers and agents.

B

### Scheduled Property Floater

#### *CIRCUMSTANCES*

1. You own special articles of value (cameras, jewelry, silver, fur, stamp collection, recreation equipment, etc.) generally worth \$250 or more per class of article (e.g., camera with interchangeable lenses and electronic flash).
2. You wish to insure *only* the specific, prized items or ensure greater for a scheduled item not covered adequately or at all by another policy.

#### *WHAT IS COVERED*

1. All risk protection on a worldwide basis in-transit, while carried, in and out of your residence, and most other circumstances.
2. Reimbursement for loss or damage to articles designated on the policy form for the value insured (deductible does not apply).

#### *YOU ARE NOT PROTECTED AGAINST*

1. Loss or damage for reasons of normal wear and tear, gradual deterioration, inherent defects, moths or vermin, and while article is being worked on (in the repair shop).
2. Loss or damage suffered because of war, civil strife, riot, insurrection, and related perils.

#### *APPROXIMATE RATE SCHEDULE*

1. ANNUAL premium ranges from \$1 to \$3 per \$100 of value, depending on the type of article insured.
2. There can be a savings for prepayment for two and three year policies ranging from 10% to 20%.
3. Minimum premium rules invariably apply.

Comprehensive Package Policy

1. You are scheduled and/or being processed for an overseas assignment —OR— you are overseas and have not secured adequate insurance protection.
2. You wish to secure very broad and flexible insurance for your personal property while in transit to and from your overseas post, as well as at your foreign residence.
3. You wish to secure comprehensive personal liability protection against the increased exposure experienced during an overseas assignment.
4. You would like to consolidate ALL your property and liability insurance needs into one policy written through one source.

1. Insurance of your personal and household effects against all risks of loss or damage any place in the world (including storage in the U.S.).
2. Worldwide comprehensive liability insurance for you and members of your immediate family relative to claims against you arising out of bodily injury, property damage, liability to servants, tenants liability, fire damage liability, sports liability, and pets liability.
3. Policy cannot be cancelled by the insuring company during the period of coverage once accepted by the company unless the insured fails to live up to his obligations noted in the policy. The insured may cancel his policy at any time.

1. The first \$50 of any loss for each occurrence.
2. Loss of cash, currency and banknotes.
3. Loss of or damage to automobiles.
4. Loss or damage connected with professional entertaining.
5. Standard exclusions for wear and tear, for war, invasion, civil war, rebellion, and related hazards.
6. Liability for bodily injury to a person, who at the time of injury, is a member of the insured's family.
7. Liability for damage to property belonging to or in the care, custody, or control of the insured, his family, his household, or a person in his service.
8. Liability assumed under a contract and liability arising out of a business pursuit.
9. Liability arising out of use of any mechanically propelled vehicle, or any ship, or any aircraft.

Minimum premium of \$62 provides \$2,500 coverage for personal and household effects and \$25,000 liability.

Added coverage for personal and household effects costs approximately \$22 for each additional \$1,000 of value. Example—\$227 premium provides \$10,000 coverage for effects and \$25,000 liability. An optional feature provides in residence coverage *excluding transit* for approximately \$7 per \$1,000 of value.

Added liability coverage:

\$50,000—premium \$5

\$75,000—premium \$6.50

\$100,000—premium \$7.50

Furs and jewelry are computed separately into total premium @ \$2.70 per \$100 of value. However, other articles such as cameras, sports equipment, etc., are computed into the regular premium noted above for personal and household effects.

### Domestic Insurance for Property Remaining in the United States

You should arrange for adequate insurance protection to cover any of your property which will remain in the United States during your planned absence. For example, if you rent your home, you probably will have to change your present insurance coverage. Likewise, any personal property which you place in storage will require changes in insurance coverage.

Following are three types of domestic insurance policies which cover dwellings, personal property, and personal liability. Your individual requirements and the advice of your present insurance agent or broker will determine which of these policies are appropriate for you:

(a) *Insurance for Personal Property in Storage.*—Discussed on page 4 under "Storage."

(b) *Special HOMEOWNER'S Package Form 5.*—This policy provides all risk property and comprehensive personal liability coverages in the U.S. and abroad simultaneously. It covers possessions in storage, during shipment, at a foreign residence and during foreign travel but may exclude property left in a policyholder's U.S. residence. The comprehensive liability coverage, however, protects against claims by tenants and others concerning the U.S. residence and protects the insured immediate family members abroad. Availability of this policy is limited. Acceptable alternatives are the policies noted in paragraphs (c) and (d) below combined with necessary foreign coverage.

(c) *Fire, Lightning, and Extended Coverage.*—This covers the rented dwelling. If rented furnished, it also covers the household effects.

(d) *Owners, Landlords, and Tenants Liability Policy.*—While this policy is not as broad as the "Comprehensive Personal Liability" included in the "Homeowner's Package," it is comparable in that it protects the owner against legal suits brought against him arising out of his property ownership whether the dwelling is rented or not.